



A  
WORLD  
IN  
REVOLUTION

293

John F. Love



By the same author

Left, Right and Center  
The Counterfeit Revolution

A  
WORLD  
IN  
REVOLUTION

SIDNEY LENS



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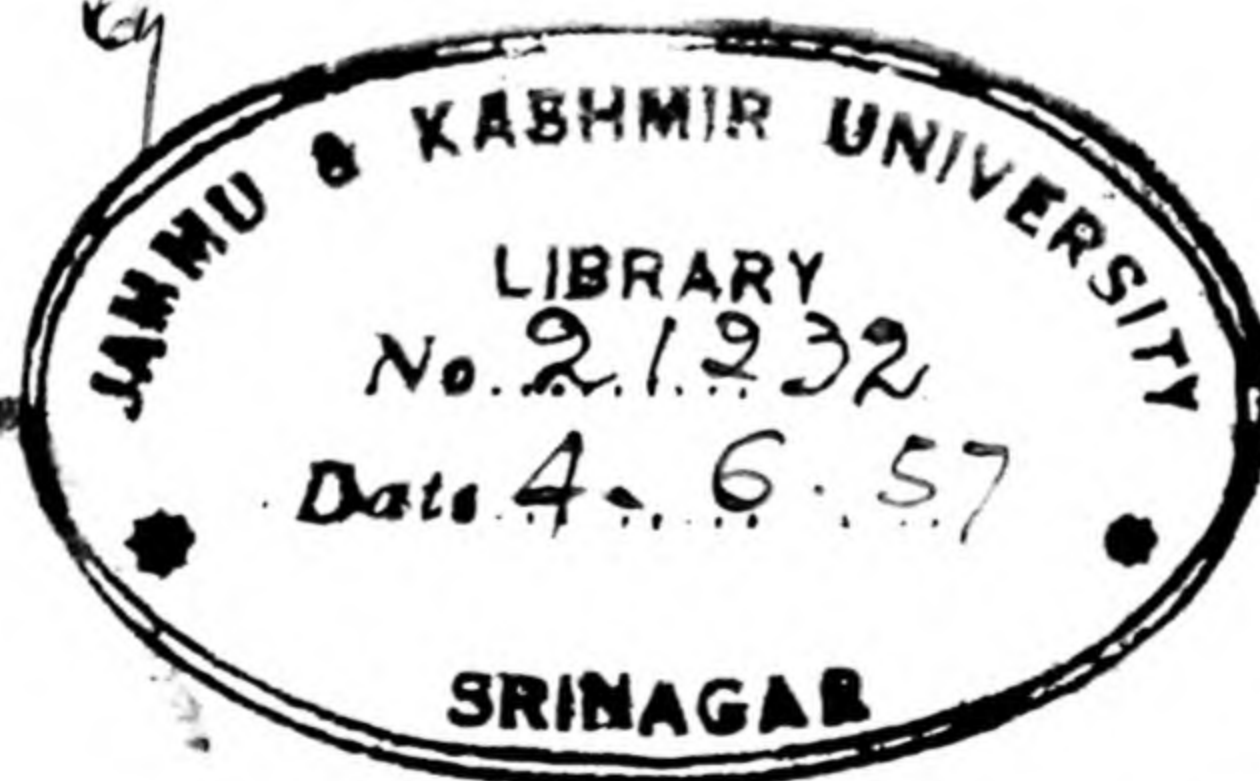
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CAT

To  
My Mother  
(1889-1954)



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Manufactured in the United States of America

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## Chapter 1

# OVERDEVELOPED STRAITJACKETS OF UNDERDEVELOPED ECONOMIES

It is customary to speak of a "western" world, or a "free" world, or a "capitalist" world, as if the world outside the iron curtain were all one. While it is admitted that there are differences in levels of technology, wealth and income, it is inferred that only one pattern exists outside of Russia.

Nothing could be further from the truth. The "free" world, so-called, is made up of two social systems which have nothing in common. Capitalism originated in violent opposition to feudalism. They were not complementary, they were antipathetical. One represented absolutism, the other tried to free man in general, and the Capitalist class in particular, from the shackles, stupidities and restrictions of the older system.

It is now three and a half centuries after the first "bourgeois revolution", but the tragedy of that Capitalist effort is that it never advanced beyond a few countries of western Europe and America. Throughout the rest of the globe there still exist the same economic and social shackles against which the Capitalist classes fought in the 17th, 18th and 19th centuries. Obviously modern trade, modern transport and the colonial conquests of the last century have modified the feudal system the world over. It is no longer a "pure" agrarian feudalism but carries a veneer of Capitalism over its antiquated hulk. But in essence feudalism is still the same. The dynamic of Capitalism and the dynamic of feudalism still run in opposite directions. They are mutually exclusive.

Let us consider for a moment what makes feudalism static. Why does it remain a dictatorial system which keeps its people chained to poverty? Why does it build up social explosiveness?

In a typical bazaar in a typical middle-eastern city, merchandise is not only sold but fabricated on the spot. There is



a street devoted to shoe-making, another to furniture, another to pottery, another to basket-weaving. Along these crooked byways men, working with the most rudimentary tools fashion commodities almost as perfect as if machine-made products. Illiterate and untutored, they manifest a skill of craftsmanship that evokes admiration. They handle elementary editions of modern factory machinery with dexterity and art that the western world has lost long ago.

On the cobblestoned streets of Istanbul, for instance, there is a row of fabricators with primitive lathes, shaping tree branches into furniture. Using a metal base the artisan places the branch between two prongs on either side, revolves it with a bow and doubled-up string that he manipulates with his right hand, and cuts into it with a chisel that he guides along the metal base with his naked left foot. The coordination of all these motions is a true art, and the finished table leg that emerges has all the beauty and symmetry we ordinarily associate with precise machine tools.

But why doesn't the artisan buy a modern lathe? Why doesn't he establish a modern factory? Why doesn't he group together with eight or ten more craftsmen to organize a modern Capitalist corporation, or a socialist co-operative? The world beyond Istanbul *does* have power-driven lathe machines; and this fact is not unknown in Turkey where government factories do have some modern equipment. But the craftsman beside the Bosphorus just does not take the next step along the historical road. He sits by candle-light or a thin electric lamp, repeating time-worn techniques but never moving economically or socially towards Capitalism.

The reasons usually given for this suspended animation is that Turkey or Syria or Iraq or Siam is poverty-stricken, lacking in resources, lacking in finances. But this argument is untenable. There is wealth, often breath-taking wealth, in all these nations. That is true amongst the feudal landlords as well as the city merchants. The men who trade in the bazaars, or at the wharves, earn net profits that would stagger a western merchant. A 30 or 40 per cent profit is often considered small. Sometimes a 100 per cent net return is regarded as "normal," where in Capitalist countries a mail or-



der or department store chain would be happy with 10 or 15 per cent net profit. When the daughter of an Asiatic merchant is married, the festivity is as sumptuous as that of western Capitalist potentates. The Asiatic merchant has bank accounts in Montevideo, Zurich, perhaps in Hong Kong, Tangiers and Beirut, anywhere where there is a free market in money. By any standards he is not poor. Why doesn't he become an *industrial* Capitalist? There seems to be no reason why he doesn't finance the craftsman to open a factory. Yet he doesn't. Why not?

And why doesn't the village lord turn his surplus funds or surplus crops to industry? The village lord is a man of considerable means. Sometimes he owns scores, hundreds and in a few cases thousand of *villages*. One such Raja in India told me a few years ago that his annual gross income was \$8 million. But he too used none of his resources to build factories, exploit coal mines, or lay railroads. If any of this is done it is usually by the hand of a western colonial power or occasionally by the state—but seldom by the native lord, the native merchant or the native craftsman. The money is there, natural resources are there—though usually unexplored, labor power is available. But a social inhibition prevents the conversion of the ancient feudal craftsman system to the modern industrial system. The available surpluses of goods and money just don't form into what we know as capital. The surpluses are either consumed or saved. They are converted into vast mansions, Cadillacs, or plush bank accounts in a country like Switzerland which is considered safe. They are not converted into lathe machines or factory sites. They do not change into industrial capital to erase the squalor of Asiatic disease and poverty.

In the past almost all of the countries that are now called "backward" were considerably advanced. The Greeks, the Macedonians (Yugoslavia), the Mesopotamians and Babylonians (Iraq), the Egyptians, the Persians (Iran) and the Turks all ruled empires at one time. Many supported populations many times their current number with standards of living far higher than today's. Resources and human ability did not



degenerate in these areas. No one can disparage the great skill of the Arab peasant who plows the land so that hardly a single grain is lost to harvest, or the skilled Turkish craftsman. What has changed is the social structure. The social institutions of the past, once favorable to progress and development, have become rigid and inhibiting. The craftsman in Istanbul who makes furniture does not become a Capitalist because the social institutions in Turkey make that impossible. There is no incentive to become a Capitalist, and there is no security if anyone ventures to take the chance.

The feudal system at one time carried mankind forward. In Europe, it replaced the rigid centralism and authoritarian government of the Romans with something flexible and free. Feudalism introduced crop rotation, advanced methods of reclaiming land from forests, water mills and wind mills for grinding corn, sailboats, rudders, and innumerable technical advances which we take for granted today. In those early days the position of a feudal serf was closer to that of a free-man, and politically he had rights in a community which approximated democracy.

When it originated feudalism had a reason for being. The centralized state apparatus of some great empire (or pre-feudal clan system) was breaking down, and the inhabitants of a village area had to band together for defense against marauders and bandits. One of their number, the strongest and most courageous, obviously had to be chosen for leadership. The others obviously had to agree to serve under him and accept his order as law. Such a social structure was not only historically necessary in such periods but was democratic in essence.

As time elapsed, however, society became differentiated. The man in charge of defense exacted taxes for arms, built himself big forts and castles and forced the peasants to do labor on his own land while he prepared for defense. Little by little the accretion of power and privilege changed the old institutions into authoritarian ones. The serfs who tilled the field no longer had any rights. The relative equality of the early days evolved into a sharp class cleavage, and the



power of the lord, first an aid to the progress of his people, became a halter. The flexible institutions of the early period ossified into extreme rigidity. The economic gulf between people of different classes became acute. The egalitarian character of feudal society evolved into the opposite character and the institutions which formerly permitted economic progress now held it in check.

This unfortunately seems to be the rhythm of social development—from egalitarianism and flexibility, to privilege and rigidity. What was once a rebellion against privilege becomes a bastion for privilege. What was once a boon to economic progress becomes an impediment to further progress. The vast feudal world today beneath its veneer of Capitalism, is no exception to this rule. Whenever progress does take place it is in opposition to feudal law and feudal institutions. The system erects a towering barrier to social advance.

This becomes clear when the feudal system is placed under the social microscope. Admittedly there is no *typical* feudal system. The European form differed from the Asian form, the early periods from the final period. In classical terms one of the distinguishing characteristics of feudalism is the bankruptcy and decline of the central state. Because of that, political power concentrates at the local village or area level, rather than in a "nation." The village, the manor, the local lord are the entities of feudal life, instead of the nation, the metropolis or the king. As feudalism evolved it came around to a centralized state. By agreement between lords or by incessant warfare between them a king arose with centralized powers. Under these absolute monarchies there developed in embryo form many of the forms that blended later into Capitalism.

But whatever the difference between one area and another, between one feudal society and another, between one time and another, there are two fundamental similarities which distinguish agrarian feudalism\* from Capitalism (or

\* Whenever used here, the term "feudalism" is used in its broadest sense—"agrarian feudalism"—denoting a system which has its roots in a certain agrarian structure.



Communism or Socialism). The social patterns of the two run in opposite directions. The feudal pattern always appears as:

1—Government based on the will of certain men rather than the stricture of law.

2—Peasant labor and craft labor that is not free but enslaved to the feudal baron.

In a typical old feudal village, the man who “owns” or exploits the village is a great lord who has himself received a fief (a grant) from a duke or a king above him. For that fief he has paid a price in goods, in money, and in the promise to provide men and arms to defend the duke or king when called upon. In turn he has granted a fief to a knight or vassal below him who also must pledge military service and other loyalties to his lord. This knight probably manages the village and collects its taxes or rent. Thus, the peasant is beholden to his knight, the knight to the lord, the lord to a duke, the duke to a king. The fiefs are not matters of legal right but exclusive grants from the man above.

The top-down idea also prevails with the land and the serf who works the land. He is given two or three parcels to farm in various sections of the village. He seldom if ever has one continuous plot; often he must carry his plow long distances from one piece of the land to another. He owns no land and has no tenure rights—he can be thrown off his plot at the end of each year. He can not determine for himself what crops to sow; that decision is made for him. Farming is usually communal, open-field farming. The villagers cooperate with each other and have some form of village council, but the power rests with the man who has the fief. He sets the tax on the crop, decides how much shall be paid for grinding the corn at his mill. He determines how many days a year the peasant must work on his own land and for his own purposes, on what condition he can use the common grazing lands, etc. He can and does make any kind of demand he sees fit. If by custom a peasant has worked the same strips of land his whole lifetime he cannot pass that tenure on to his son; the knight or the lord will make that decision. If his daughter would marry he must secure the big man’s blessing



and must offer a gift. If the lord's daughter marries he must also offer a gift. If he wants to leave the land to move to a city he can not do it without permission of the lord. And if he wants to bring a relative to live with him, again he must seek permission.

There is obviously no equality here before the law. Inequality, rather than equality, is the accepted order of things. Each class has greater rights than the class below it, is judged by different standards, and has entirely different privileges.

In this latter-day feudalism there is no incentive for change or progress. If the peasant has a surplus left after paying his rent and taxes why should he invest it in any permanent improvement of the land? He has no tenure rights, the improved land may be taken away from him at the whim of the knight or lord. How can he experiment with new crops if the type of crop is decided on collectively and with the approval of the lord? He can buy no additional land and has no spur to invest in anything that improves productivity.

The craftsman and the merchant similarly have no great incentive to change techniques. The feudal system does not encourage competition. The craftsmen and merchants all belong to guilds of their own craft or trade. These guilds set prices, determine wages of apprentices, establish standards of quality and rules of work, all subject to the wish of the feudal lord. No furniture craftsman can charge more for a table than his "competitor." He cannot enlarge his business or attract customers at the expense of these "competitors." All purchase, sale and manufacture is controlled from the top down, on the accepted theory of inequality. Thus not only is it difficult to earn large surpluses, but even if a craftsman has surplus sums he cannot invest them in improved machinery or competitive industry. Only when feudalism began to break down in France or Britain did the trader and craftsman turn into Capitalists. Under traditional feudalism they are too strictly circumscribed and rigidly controlled. They will not spend money on improvements when they can be divested of not only the improvements but the property itself by the feudal lord.

The power of the lord is so great that the merchant or crafts-



man has to court favor with the big man and leave things as they are. The excessive politeness of a Japanese merchant to this very day is a carryover from life under feudalism. The merchant existed only by tolerance of the lord. Under such circumstances he learned to simulate humility, to be overly polite.

Theoretically the feudal lord himself or one of his vassals could utilize his large surplus resources to develop industry. But he too has no incentive. He does not have to compete with any other lord for markets for his grain; production under feudalism is for *use*, not for the market. Whatever trading exists is distinctly secondary. The peasant sows his grain so that he will be able to eat it. Some of it will go to the lord, a small portion will go to the miller, the baker, and other craftsmen, and if he has anything left he may either save it for a rainy day or barter it with another peasant for a calf or some other small item. But he strives for self-sufficiency, not to produce for a market. The market—the great Capitalist market—is not a vital factor in the traditional feudal world. The feudal lord does not have to compete with any other lord to sell his grain. He uses what he needs, and barter some of the rest for the work of artisans; he does not have to compete to sell it at a cheaper price than his neighboring lord. Nothing impels him to improve productivity or to invest in industry. His is a system of “co-operation,” authoritarian and directed co-operation, not of competition. His power comes not from superiority in production but from superiority in his police forces and military strength. He loses his riches not when another lord undersells him on the market, but when he is excelled on the battlefield or when his peasants rise against him in rebellion. He has no need to expand through trade or manufacture. If he wants more, he has merely to impose another tax on his serfs or to take it in battle from another lord nearby. The market, competition, industry, capital accumulation mean nothing to him.

In this way the whole system of latter-day feudalism is static, opposed to change, hostile to freedom. The free will of men is not expressed in terms of competition. Every facet of economic life is controlled from above: economic life is the result of the will of one man, not of the interplay of



competitive economic forces. Such a system must needs be authoritarian. Talent, shrewdness, skill and ability are not as important, in this system, as securing the good graces of the lord. This is the reason for the peculiar paternalism in the feudal world. Men are almost never discharged from a government post. The civil servant class earns its right by custom and liason with the feudal hierarchy, rather than by ability. It is not *what* you know, but *whom* you know.

Authoritarianism and paternalism in politics and rigidity in economics constitute the feudal system which our Capitalist revolution replaced. Capitalism introduced a stimulus for capital accumulation and industrial expansion which the old world did not have.

Every economic system produces a surplus. It does not necessarily fabricate more goods than are needed by the people, but some of it goes for other purposes. What those purposes are, is decisive. Under our Capitalist system the surpluses ordinarily are converted into capital. They find their way into banks, insurance companies, postal savings accounts, bonds, stocks, and through these avenues eventually reach into the productive system. A worker who saves \$5 a week puts it in the bank; the bank in turn loans it to a shoe factory to buy a sewing machine or a drill press. Or if the worker chooses he can invest his \$260 directly in the form of a small bond sold by this shoe company for the purposes of modernizing its plant. The salient feature of Capitalism (and Socialism and Communism) is that part of what is produced is *not* consumed but is converted into better production equipment. Capitalism achieved this re-direction of the surplus into productive spheres through the instrumentality of the market and private enterprise. Communism so far has achieved it through state direction.

But under feudalism no such stimulus exists. The rents or taxes of the serf, the produce of the lord's own lands, all go to satisfy personal needs. The lord has no incentive to establish factories, build roads, His is a *local* economy, moderately self-sufficient, completely controlled from the top and entirely lacking in competition. The traditional feudal lord is under no compulsion to convert crafts into industries. He does not subsidize nascent industries to help them compete with estab-



lished crafts and guilds in other localities. He builds no roads to help them ply their trade and sell in other markets. If he does establish any thoroughfares it is only for military reasons, not economic ones. His impulse is constantly to restrict, not to expand. Where he does permit breaches in his economic dyke it is only because the nascent Capitalist class has taken advantage of one of his personal difficulties. Each time he comes to his burghers for economic aid they exact more concessions from him. They force him to modify and alter his social system in their direction. But the essential *elan* of the feudal system is one of restriction and rigidity; whatever expansion and flexibility does exist is the result of mounting pressure from either outside conquerors or the internal burgher class. Feudalism itself does not turn its surplus into capital.

What we have described here is not feudalism as it existed everywhere or all the time, but the *norm* of feudal behavior. It would be impossible in this kind of a study to explore the innumerable manifestations of the system or its varied origins and developments. Nor have I emphasized the various customs which often moderated the harshness of the old order. Each feudal regime had its own peculiarities, but underlying all was the authoritarian spirit based on rule by men, on deliberate class inequality, not rule by law and equality before the law. Similarly, in describing the Capitalist system, I am omitting the bitter difficulties, often brutal harshness, of the early period. And for the moment I leave aside some of its latter practices which also had adverse affect on social progress. I do not believe that feudalism is completely black nor Capitalism all white. But I am trying to describe the *vital impetus*, the *dynamic* of each system, rather than its nuances and digressions from the norm.

In that sense the Capitalist dynamic stands in sharp contrast to the feudal one. What would happen to our hypothetical feudal village as the Capitalist system emerged, as social revolt tore down the structure of feudalism? First the peasant would win the right to tenure of his land; he could not be moved from one strip to another. Secondly he would gain the right to pass his tenure on to his children. Thus he would have a greater stake in the land and its productivity. This



would be followed in rapid succession by a whole series of rights and relief. The peasant would no longer be attached to the land, he could move from it at will without the lord's permission. He would stop working on the lord's farm and would begin to pay a fixed rent in cash, rather than in crops. Finally his land holdings would be consolidated, rather than in strips, and become his freehold. He would own it in perpetuity and do with it as he pleased, plant what he pleased, and develop it as he pleased, subject only to national law. This is *private enterprise* (or free enterprise) in contradistinction to un-free serfdom.

This is significant. The peasant has tenure, he therefore has an incentive to improve his land. The labor he invests will now redound to his own benefit. As farming improves he has greater surpluses, which he must sell on the market, or to craftsmen in the cities. And as he sells, he buys. He can now afford more shoes, more textiles, more of everything made in the cities. The city grows along with the village. Soon each peasant household, instead of producing just enough for its own needs, is producing enough for a household and a half, or two households. Many peasants are forced to leave the land and move to the cities. They become either workers for other craftsmen, or Capitalists on their own.

At this point the market becomes the instrument for capital accumulation and the introduction of the factory system. Industry in the cities is expanding. Trade is too extensive to permit barter; the peasant no longer pays for his supplies in kind, but in money. Introduction of money on a wide scale means that the market is enlarging. Sale and purchase are becoming the accepted order of things and production is changing from production for use to production for the market. And that market becomes the instrument for capital accumulation and the development of an industrial system.

While the peasant is freed from the restrictions of the feudal lord, the city tradesman and the city craftsman are also freed. The guild system begins to crack and craftsmen begin to compete with each other for the growing market. Each is anxious to introduce new techniques of production and to take advantage of new equipment so that he can gain a greater portion of the market. It now *pays* to invest a por-



tion of the profits—the surplus—in machinery or better organization. Thus the feudal craftsman turns into an industrial Capitalist. The man who was rigorously restricted by the feudal lord and his guild system, bursts into the great freedom of trade. Freedom of trade changes everything. It stimulates the accumulation of capital, lends impetus to new inventions, new machinery, modifies and later alters the whole political and social system.

With the growth of trade there must be equality before the law; each buyer and each seller must meet each other at the market place with equal opportunity. If there is an attempt by the state to restrict that opportunity extensive trading is impossible. The appeal to self-interest, to personal gain, which is unleashed by Capitalism, offers a momentous push to economic improvement. It completely reverses the feudal dynamic.

The accumulation of capital does not of course take place smoothly or equitably everywhere. But we are not pronouncing judgement in these pages. It is enough that surpluses are converted into capital, for mankind to have made a whole revolution in technology, culture, politics and the social system. In Britain the nascent accumulation of capital took place as a result of "enclosures." The British lord found it more profitable at a certain stage to enclose the common lands where the peasants grazed their cattle, as well as the other lands, so that he could utilize this area exclusively for his own sheep raising. The market for wool was booming and here was an opportunity not to be missed. Elsewhere capital was accumulated by a new type of exploitation of the peasant: shrewd city merchants bought farm crops cheap, sold city goods in the villages dear. The surpluses of each nation thus tended to flow to the cities, into the coffers of the merchants and from their hands into banks and then into industry, or directly into industry. Under any circumstances, while the peasant, who had now turned freehold farmer, could use only a relatively small portion of his surplus for his own technological improvements, the cities gained a disparate share for manufactory innovations. In some places the state achieved the same purposes by a high money tax on



peasants, which the state then either invested directly into industry or filtered into industry through state banks or other state credit agencies. The significant thing is that free enterprise, as opposed to feudal restrictions, gave the peasant an impetus to grow more, the craftsman an impetus to produce more, and both of them surpluses which could and were converted into capital to improve productivity.

Probably the most democratic and peaceful growth of Capitalism occurred in Denmark. Its process comes closest to the norm than any other. Up to 1784 eight hundred feudal estates owned three-quarters of all the land. Most of the rest was held by the church and the crown. Slowly, however, the pressure of the peasants and the liberalism of a few statesmen modified all this. In 1769 a decree was passed protecting freeholding peasants, cutting their taxes and giving them an opportunity to pass their land on to their families. In the period from 1784 to 1790 the peasant won the right to land tenure for life and his attachment to the soil was abolished; he could move at will. In 1786 the government opened a credit bank and from 1788 on peasants were able to borrow money to buy the land that they worked. Nineteen years later occurred one of those historical tragedies which in the long run have a salutary effect. The Danes went to war on Napoleon's side against the British. In the ensuing inflation of prices a large number of peasants were able to pay off their mortgage and gain clear title to the land.

With economic power went political power. Peasant pressure had an impact on the state. In 1814 the government passed an elementary education act. Seventeen years later the large peasants secured suffrage. By 1841 when a rural local government act was passed, absolutism was finished in Denmark. An increasingly educated peasantry with increasing economic strength took the reigns of local government into its own hands. A few years later, in 1848—the year of revolution in all Europe—a liberal constitution was drafted. In 1849 a cottagers act was passed giving the right to each cottager to have relatives or friends live with him without permission of the lord. Labor service to the great man was abolished a few weeks later and payment of rent and taxes



was changed from payment in kind—in grain or other crops—to payment in cash. In the first constituent assembly fifty per cent of the delegates were from the peasant class.

Finally in the middle of the 19th century, occurred two more “tragedies” for Denmark which sealed the doom of feudalism in that small country forever. American wheat was being produced so cheaply and on such a large scale that it was pushing Danish wheat off the market, and an expanding German nation imposed a high tariff on Danish cattle. Thus a nation which had lost most of its territory—Norway, which it had given up to Sweden in 1814, and Schleswig-Holstein which it had yielded to Germany exactly 50 years later—and which was now losing its main export markets, was forced to take severe measures to keep afloat. It abandoned all vestiges of feudalism and went over to small-scale farming and co-operatives. With state help it introduced innumerable improvements in farming, changed over to hogs, bacon and butter instead of wheat and cattle and before long it was one of the two or three most productive agrarian economies in the world.

The steady development towards greater freedom for the peasant and greater productivity manifested itself in the period 1864-72 in a 40 per cent increase in manufacture. Large banks, newly established, financed new business. Guilds, by now, were abolished and free internal trade became the rule. Railways began to mesh the country into a unified whole. From 1860 to 1901 the city of Copenhagen tripled its population; the percentage of people in the villages continued to decline and those in the urban areas increased. In itself this was testament to the fact that agriculture was becoming more and more productive, that it had broken out of the rigidity of the feudal era, and that relatively less people were now needed in the country to feed more people in the city.

Denmark, of course, with only three to four million people is not a large country. But its historical development towards Capitalism is ideal, achieved with the least bloodshed and with a greater degree of social justice than anywhere else. It underwent a change which not only sheds light on the process of Capitalist revolution but graphically shows the contrast between those nations which expanded into Capital-



ism (whether by violent revolution or relatively peaceful evolution) and those which resisted the process.

Today in the underdeveloped areas of the world a measure of Capitalism has been grafted onto the moribund body of feudalism. Expanding Capitalist economies first penetrated the old world by trade and then seized political control of one area after another. In doing so they left an imprint. The mere existence of Capitalism elsewhere forced the backward areas into some improvement. But the heart of the feudal system, an atavistic land tenure and political authoritarianism, still dominated the life of most countries at the end of War II.

There are now railroads, roads and a few factories in almost every nation. "Backward" countries have airports, big trading firms, and a wider use of money than in the period when feudalism did not have this Capitalist veneer. But the hard core of feudalism is still there. The underdeveloped countries are overwhelmingly agrarian. The feudal lord may have had his powers curbed and there may be some pretense of equality before the law, but the reality is still feudal. In most places the lord still controls land tenure, he still tells his peasants what to grow and he still receives an exorbitant percentage of the crop as rent. He or one of his satellites dispenses justice, he appoints the people to civil service for the area, and where there are "democratic" elections he can always assure a near-unanimous vote for his slate. The peasant who votes against his wishes soon finds himself allotted a less favorable piece of land next year or has his water supply curtailed or cut off entirely. The lord still controls the tax collector and the village headman. Time magazine (December 7, 1953) in describing the "elections" in the Sudan, relates how the illiterate subjects of the King of the Shilluks kissed his majesty's feet and asked him for whom they should vote.

The facade of the feudal world has taken on Capitalist forms. There are parliaments almost everywhere; but their members are either chosen by the feudal lords directly or by the colonial powers and their feudal allies. The big cities now have skyscrapers, telephones, taxis, trolleys, banks, sometimes even stock exchanges and a few schools. There are refineries, oil wells, big textile mills with the appearance of



Capitalism. Here and there the state itself builds factories, runs the railroads, invests in new industry—presumably these have the appearance of Socialism. But the whole thing is only a surface phenomenon. Although the impact of the western world has been felt, away from the cities, where the vast majority live, the signs of feudalism are unmistakable. Here we find the lord, his manager, the exorbitant money-lender and the corrupt judge who serves the interests of the lord. Eighty to 95 per cent of the people are still illiterate. Techniques of farm production are often as primitive as those practiced hundreds and even thousands of years ago. There are places in India where they still use a simple wooden stick for plowing. The peasant still has his land in strips, still lacks fertilizer and everything else that would improve the productivity of his labor. Instead of one peasant household producing enough surplus to feed one or two households in the city (or fifteen as in America), it takes three to five peasant households to supply enough additional grain for one household in the city. Whatever small money income a peasant has he uses to buy cloth and a few necessities. He cannot save or invest. The process of wide-scale capital accumulation is thoroughly thwarted because the village peasant has little or no surplus and the village lord has no incentive to turn his surplus into capital.

A recent United Nations report emphasizes this failure of capital formation:

“Low national incomes in the Middle Eastern countries are aggravated by the marked inequalities which characterize their economic and social structures. The population consists largely of very small landholders or tenants whose income barely provides the necessities of life and *leaves little or no surplus for investment*. The same is generally true of the small but growing group of industrial workers. At the other end of the scale are large landowners, *who rarely invest in anything but land*, and the important merchants *who do not generally invest their capital in long-term projects*.” (The italics are mine.)

Where the feudal lord or merchant does invest his surplus in industry, his action is permeated with feudal practices, feudal philosophy and feudal restrictions. On occasion he is



the partner of foreign colonial companies which, as we shall see in the next chapter, exist only because they have buttressed the feudal *system*. Our feudal lord or merchant may own a share of a textile mill, or his family may even have graduated into native Capitalists on their own. These are certainly mutations of the feudal system. If they were permitted free play, under conditions of truly *free* enterprise and free competition, they might change the social physiognomy of the country. But unfortunately such experiments are only artificial graftings on an essentially feudal body; they function within the feudal philosophy and are straitjacketed by it.

Political "pull" plays a role in feudal industry to a far greater extent than in a Capitalist country. The entrepreneur is beholden to the state for almost everything, the road that is built to his door, innumerable permits, the railroad that hauls his product, his labor force, his imports of material. Without political influence no business can exist; and, without democratic checks and balances, such influence and influence-peddling encourages swindling and graft. A cabinet post in a feudal country is worth vast sums of money. For instance, the cabinet members in the Farouk regime of Egypt made fortunes, so did cabinet members in Iraq. The political leaders speculate in grain, black market and buy into big foreign corporations (Adlai Stevenson once referred jocularly to the Coca-Cola and Pepsi-Cola interests of cabinet ministers in Siam), and receive fantastic bribes from native business men for "favours" that in a Capitalist world are considered duties of government.

In the sphere of labor relations the state intervenes at every step. Ordinarily it permits no agricultural unions and only limited unions in the cities. To organize such a union the employees must secure police approval. Police exercise their right to sit in at union meetings. Strikes, when permitted, must be sanctioned by government. On the other hand, it is almost impossible to discharge an employee—even for just cause. Every discharge must have the seal of the secretary of labor before it can take place. This obviously is the dual pattern of authoritarianism on the one hand and paternalism on the other. It is inefficient, costly and can only exist because the state permits exorbitant profits and low income taxes.



These Capitalist factories in underdeveloped countries are a long way from true Capitalist competition or free labor.

In state-owned factories the evils of feudalism are even more apparent. The engineer is the son of a feudal lord who was given a government grant to study in the United States or Germany, the manager is a relative of a government official, and many—sometimes all—of the laborers are employed on recommendation of feudal lords and government leaders (also feudal lords). With the fundamental paternalism of the feudal system none of these people can ever be discharged, none of them need meet any other requirements but political influence. In Capitalist countries there is of course some political boondoggling in economic ventures, but there is a merit system, some public review, press and radio, and an opposition party to act as a check and a balance to such boondoggling. The feudal social morality, however, accepts such boondoggling as the *normal* way of life. Inequality is the unofficial law.

In a typical "backward" country, the son of a civil servant is himself a civil servant and the grandson is also a civil servant. He has inherited his job because of family and class ties not because of merit. In a bazaar or market area there is a strange unanimity in the price structure and little underselling by one merchant of another. The village land system drags the whole economy down. It permits no natural accumulation of capital and it precludes the type of mass market which can spur industrial development. And conversely the feudal juridical approach prevents the capitalist-veneered city from pulling the village up by the bootstraps.

It is erroneous then to talk of the non-Communist world as "Capitalist" because most of it is not. It is idle to talk of it as "free" because most of it is not. The salient fact is that our planet staggers under the load of feudalism and feudal hangovers. The United States, blessed by nature and purified by two major revolutions which swept the baggage of ancient systems from our shores, is the closest to a "pure" Capitalist society of any in modern times. Its feudal heritage is negligible. Germany and Britain, Scandinavia, Switzerland, the low countries, and a few others are also relatively free of this social disease. But the rest of humanity is, in one degree



or another, imprisoned in feudalism. Even great nations like France, Italy and Austria suffer under the heavy load of the past. The term "free world" makes no sense if it combines the two mutually exclusive social systems of Capitalism and feudalism. If we insist on using this term it is only because we consider the feudal world a lesser evil to the Communist world. We are willing to overlook its differences because we confront a more potent enemy. But it is precisely this overlooking, this confusion, which causes our trouble.

If we in America have a "way of life" it stands in thorough and complete opposition to the ways of life of those areas which are still stifled under feudalism or feudal forms. A man who wants to open a grocery store in the United States rents the premises, buys fixtures and merchandise, perhaps pays a small tax of some kind which the tax collector must accept—because before the law he is equal to anyone else who wants to open a grocery store—and he is ready for business. If he is clever and lucky he can make a profit and open another grocery store somewhere, until he becomes a chain like A & P or, if he is dull and unlucky, or just plain unlucky, he goes out of business and perhaps some other grocery store owner profits from his misfortune. Of course not all of this is as clear-sailing as the example implies. Our grocery keeper must run the gauntlet of A & P's superior capital holdings and superior political influence. Theoretically, however, he is an "equal" at the bar of justice. The state cannot permit an A & P store where it refuses to sanction an independent one. But in Austria, where feudal carry-overs are in evidence, (as we shall see later) a woman who shut her grocery store some years back cannot get permission to re-open because the chamber of commerce (the guild) feels that there are already enough grocery stores in the area and that our lady would merely stimulate competition.

Clearly, what we are contending with in underdeveloped areas is not poverty per se, but social inhibitions which preclude the industrialization that could eliminate poverty. This distinction is fundamental to foreign policy. The world is beset with a social machinery which creates hunger, disease, and finally revolution. There is an impetus within the social structure that stimulates the man at the bottom of the rung,



and the tens of thousands of intellectuals who understand this striving, to think in terms of nationalism rather than localism, freedom rather than feudal authoritarianism. We, in America, long ago developed a spirit of nationalism. We unified our thirteen states, and then through Supreme Court Justice Marshall's interpretation of the Constitution, we established ourselves as a unified nation. All this is taken for granted by our populace. In fact we seldom rewind the course of our history backwards to glimpse the monumental struggles we have waged against localism, decentralism and private rather than public law. In the feudal and semi-feudal world all that is abysmally apparent. The peasant knows this, the worker knows it, and above all the intellectual who will give leadership to these two knows it.

The feudal world is weighted down under the tyranny of illiteracy because the feudal sheikh or pasha or raja wants and *needs* no literacy to conduct his type of system. His is not an expansive but static system. He needs a few wise men to read and write so that perhaps he can communicate with men of equal status in other places; but he does not need a thoroughly literate citizenry to read blue-prints, address packages, read the bulletins of the department of agriculture, or fill out the million and one forms that make the industrial system tick.

The feudal world makes no significant attack against disease because its static institutions need no science, and if it does gain a little scientific knowledge by a type of international osmosis, it does not have the industrial wherewithal to produce the medical supplies needed to combat disease. Nor does it have the doctors or the atmosphere of free investigation that would make it possible. Twenty million people in Iran in 1949 had only 600 doctors. Everything tends towards perpetuating ignorance, disease and subserviance. No outside impetus exists to force it into other ways. In Japan, when Commodore Perry in 1853 breached the tight feudal community of the Shogunate, which had refused for centuries to admit foreigners, the feudal lords themselves were terrified enough by the cannon they saw on Perry's gunboats to dismantle their old social system. But that is an unusual phenomenon in history. By and large feudalism (particularly when

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aided by imperialism, as we shall see in the next chapter) meets no challenge sufficiently strong to force it into *fundamental* change.

The underdeveloped feudal world is not poor; that is an essential part of our thesis. Consider some of the countries between India and China. Siam, for instance, has land which is rich and its food supply is abundant. It has not been ravaged by wars, nor even dominated by foreign imperial powers. Yet its per capita income is under \$100 a year. (The United Nations lists it as low as \$36). Siamese territory has never really been explored. How can it be when so much of the country is inaccessible? The main mode of transportation is the ancient *klong*, a narrow canal. Away from the *klong* communication is slow and often impossible. Siam, like any other underdeveloped country, knows little about its own resources.

The country's paddy fields are, by Indian or Chinese standards, quite productive. The monsoon seldom fails the Siamese peasant, so that he is usually secure from famine, and his land is rich and fertile. With political stability and this favorable agrarian situation, Siam presumably should be a land of milk and honey. But it is not. It is ravaged by disease to an appalling degree. No accurate statistics exist but American officials working for MSA (now FOA) placed the incidence of worm and dysentery diseases at 60 per cent or more of the population, syphilis at 15 per cent, gonorrhea at 45 per cent, tuberculosis, trachoma, malaria, etc. at equally high levels. The worm diseases are caused by poor water. And poor water means the picturesque *klongs* (so beloved by the American tourist), which people use for bathing, riding, toilet, —and drinking. So long as the *klong* is the main mode of transport, it is inevitable that people will cluster along it, living either in houseboats or by the *klong's* edge.

By Asian standards Siam is certainly not poor; it is richer than any other country except Japan. Spokesmen brag that Thai peasants never go hungry. Yet Siam is steeped in ignorance and disease to a painful extent. Its wealthy resources do not bring a wealthy standard of living. With the same resources, a socially advanced country like Denmark would develop a standard of living two or three times the present



Danish standard, ten or twenty times the Siamese standard; and the people of Israel would perform miracles. But due to the outmoded feudalism of Siam, the people are weighed down by widespread disease.

What would it take to obliterate that disease. First of all, a change in the mode of transport would be necessary, thousands of miles of roads and railroads would have to be built. Since much of the nation is lowland it would mean building a modern sewerage system, probably with big pumps. It would mean building reservoirs for water and chlorinating the water. It would mean paving the village roads to keep down the dust that eventually gathers in peasant lungs. It would mean raising the standard of living so that the peasants could afford shoes, which would protect them from harmful microbes at the water's edge. It would mean building schools and advancing health education. Above all it would need a modern industry to supply cement, steel and fertilizer. In fact, to solve this "little" problem of cutting down disease, a social dynamic differing entirely from feudalism is necessary. The country would need sums of capital, which it can not begin to accumulate under feudalism.

Siam is today on the well-traveled path of world transportation. Pan-American and BOAC planes stop at its airport four to six times a week. Thousands of tourists pass through Bangkok annually. In recent years American jeeps have raced through the country charting the hitherto unrecorded facts concerning its economy and health. But feudalism still exists there. Outside Bangkok it is clearly visible. The "lords" who run Siam have reconciled themselves in recent years to international trade first with the British and now with us. But they have not relinquished their control in the local areas to any significant extent. Feudalism still prevents Siam's emergence as an industrial nation capable of meeting its problems.

Disease throughout the world does not stem from poverty in itself, but from inability of the social structure to erase poverty. Tuberculosis kills five million people a year, trachoma infects 80% of the globe; more than half the people in Egypt suffer from it. Every year there are 300 million malaria victims. The suffering of humanity has been documented in innumerable tracts and books, but that suffering



is seldom correlated with the socially static system which perpetuates it.

Three-quarters of the "free" world looks on woman as a second class human being. In the Moslem countries she must wear her aba or boorkha (veil) and stay in her house after dark. She must bow to her husband's wish and to her mother-in-law's without question. "Second class citizenry" is an accepted fact in this major portion of the "free" world.

With all this in mind, we can understand why the man who makes table legs in Istanbul, does not build a table leg factory. He does not have the "go" sign from the powers that be. He can not expect fair treatment unless he is part of the reigning clique. He can be assured no protection, no judicial rights (no matter what the written law may be.) Nor can he set prices or adopt competitive techniques that expand his business. If he did, he would incur the disfavor of his fellow table leg makers and he might very well be told to quit the craft altogether.

The merchant also wants no part in industry. Under existing political conditions he prefers to have his capital liquid. To invest it in a much-needed fertilizer factory or cement factory would be a grave risk. The state is not his protector. Unlike the established Capitalist nations, it does not guarantee the sanctity of private property. The state, or the individuals who run it, may very well be his enemies. Even if the present leaders are his friends he does not know if they will stay in power. Why then should he invest money in a long-term, industrial project when he can earn large profits in short-term trade? If he had behind him a relatively stable law, interpreted by a relatively stable court and a relatively honest supreme court, backed by public opinion, then he could consider long term industrial investments. In a feudal country, only a foreigner depending on his own country's state department and military pressure to help him when native government officials begin to press too hard, can feel that long term industrial investments might be safe. The native merchant has little choice but to continue as a merchant, and to hide his profits in Swiss banks instead of investing them in native industry.

Feudalism and freedom are opposites. Before freedom of



any kind can flourish, feudalism has to be destroyed. So long as feudalism exists there can be no accumulation of capital for the purpose of dynamic industrialization, no matter how much money America gives or lends to these nations. So long as it exists no nation can throw off the yoke of backwardness.

Here, clearly, is the reason why our foreign policy has zigged and zagged through four decades. If we study further, and see how imperialism has affected the feudal world and how the feudal world now affects the non-feudal world, we shall see how we get into difficulties when we try to include feudalism as part of the free world, or see in feudalism an ally against Communism.

## Chapter 2

### THE UNHOLY WEDLOCK

One of the deceptive myths of the western world concerns its relations with the underdeveloped areas. It runs something like this:

“Yes, it’s true there have been many abuses by the white man in Asia, Africa and Latin America. The natives have often been shamefully exploited, robbed and mistreated. But on the other hand we did bring the great benefits of our civilization to them. We built schools, factories, roads and railroads. We rescued their finances from bankruptcy. We educated their middle classes and prepared them for self-government some time in the future. Now, if they will only accept our guidance a little longer and move slowly, they will eventually achieve this status of independence.”

The West is willing to admit moral derelictions in the east but nothing more. Even the apologists of imperialism admit that there was something wrong with the Dutch system in the East Indies which practiced forced labor and the so-called culture system. One-fifth or more of all the natives’ lands were set aside to cultivate crops for the Dutch and one-fifth of the natives’ time was required for such cultivation. In the first twelve years of the “culture” system the Dutch realized no less than \$700 million in crops, and from 1831 to 1877 they drained off a half billion dollars for their own treasury just from one source, a tax on the people of the Indies. Such plunder plunged the Asian people into abysmal poverty. Western writers today concede that the white man in carrying his “white man’s burden” was cruel, that he squeezed out too great a profit. For example, the British, with a small original investment in India worked it up to \$5 billion (at pre War II prices) and reaped annual profits of \$750 million, probably more than ten per cent of the total national income of a nation with 250 to 350 million souls. In Kenya His Majesty’s Government enacted a Crown Lands



Ordinance which gave the British the right to "alienate" land belonging to the Africans. Thus two or three thousand Britishers were given one-third to one-half of all the good land, while five and a quarter million natives had to share the rest. To make matters worse, the colonial power insisted that wherever mineral deposits were suspected on the land allotted to the Africans that land too would be considered a "restricted area."

The list of the moral evils of the colonial system is endless. But this preoccupation with a moral judgment has unfortunately blurred for us the *social* catastrophe of imperialism. Capitalism at home in its early stages was not always beneficial. The poor workers who were brought into the first manufactories were often treated worse than feudal serfs. Yet, socially, Capitalism at home went forward despite such abuses. It accumulated capital, industrialized, and finally offered a high standard of living to its people. The tragedy of the underdeveloped areas lay not especially in the moral excesses of the white man, but in the social hindrances.

Capitalism, which fought so vehemently against feudalism at home, condoned it in the underdeveloped areas abroad. Imperialist Capitalism was in fact the main prop of a crumbling feudal order, at a time when the ancient system could not much longer have defended itself. At the critical juncture in history, a virile western imperialism succored a cancerous near-corpse and saved it from death for five, six or possibly ten decades.

It is one of history's cruelest paradoxes that the same powers which founded nationalism and carried forth its revolutionary banner in Europe and America were the ones which decades later tried to lower that banner in the "underdeveloped" areas.

The West spread a veneer of Capitalism over a core of feudalism. It introduced money economies, linked the countries with roads and railroads, and imported labor-saving machinery for its own colonial plantations and colonial factories. This is the actual basis for the myth of social progress in the colonial world.

But what did the white man's imperialism actually do to the character and virulence of feudalism? In the *social* sense



it made conditions far worse. It widened the gap between classes, made the village relationships more harsh and impersonal. It did not destroy private "law," on the contrary, beneath a thin veneer of public law it entrenched the feudal, authoritarian structure in the villages more rigidly. In the process, living standards of the general mass declined, cultures stood still, and national aspirations were dimmed.

The West naturally has not publicized this *social* result of imperialism. Its statistics of accomplishment are always impressive, but they beg the social question. For example, when the British took over Egypt in 1882 the treasury was bankrupt, the irrigation system had broken down and the population stood at six million. Under British rule, the treasury was stabilized, the Aswan dam built, irrigation expanded so that two or three crops a year were now possible instead of one, and the population jumped to twenty million. Clearly, say the British, the fact that there are now so many more people indicates that conditions have improved.

Unfortunately this is a lopsided picture. Facts on dams, population and treasuries are unquestionable. However, the social story of British rule is something else again. In 1875, Khedive Ismail, the Turkish viceroy in Egypt, sold 176,602 shares in the Suez Canal Company to Disraeli. The Suez of course was vital to the British empire; without it access to India would be slow and tedious. Naturally the empire builders were anxious to see this channel of empire secure, that "law and order" be preserved. In 1881, therefore, when Ahmed Arabi led a nationalist revolt in Egypt, London saw it as a threat. Certainly the British had no great love for the Ottoman empire. They probably sympathized with nationalism, just as Americans today believe in the right of all colonies to be independent. But the empire had to be secure above all else. After a few months of nationalist rule in Egypt, the British and French intervened under some flimsy pretext to smash the nationalists. The Egyptian people resisted for months but England had the military power to impose her will. Thus feudalism in Egypt, on its way out, was brought back to life. Thus, the whole of the Middle East which might have followed the Egyptian course was doomed



to at least seven or eight more decades of painful backwardness.

The British could have changed the Egyptian social system had they so wished. They could have abolished the feudal land tenure, educated the people, built a democracy based on industry and freedom. But had they done so, they would have built a powerful nation on the banks of the Suez; a powerful nation on this strategic highway to the empire might have been a threat to the whole British world structure. It was better then to keep Egypt weak, subdued and authoritarian. To secure their prize, the new overlords followed up the victory with a long and bloody conquest of the Sudan. The upper reaches of the Nile river, heart of the Egyptian economy, are in the Sudan. The new imperial push gave the conquerors a life-and-death hold over Egypt. At any time, the British had the power to dam the river, deflect its course or speed, to create havoc in the lower Nile valley. It was a powerful weapon and an unscrupulous measure to keep the Suez canal safe.

From that day onwards, Britain has ceaselessly fought nationalism in Egypt. The British Protectorate ended in 1922, but though they have had to yield ground they were always able to restore the feudal landlords to the position of dominance, until the coup d'état of Naguib and Nasser in 1952. Britain put her armies and her police at the service of the landlord system. They made the rich far richer and the poor far poorer. They froze social relations, formed an alliance with the pashas, made them fabulously rich. Together they kept the poor fellah in ignorance, disease and destitution. When the British arrived, class differences between the landowners and peasants were relatively small. If the pasha was more affluent it only meant that he owned a bigger mudhut and perhaps a fatter donkey. This whole Middle East had been dominated by the stern, iron fist of the Turkish Ottomans. The pasha class in Egypt lived mostly in the villages close to their own peasants and tilled their own land. But under the British, the pasha's opportunities for exploitation of the peasantry increased so much that after a while he moved to the cities, drove Cadillacs, sent his children to school in Paris and maintained contact with his peasants only



through overseers. The systematic British registered the common lands of the feudal manor, including the peasants' lands, in the name of the pasha, not in the name of those who tilled them. They converted the landlord class into a money-lending class, so that the Egyptian peasant found himself in debt from birth to death, to the man who controlled his land. He could not leave to find a better life elsewhere without permission of the lord, nor could he stay and live above the subsistence level.

Other symptoms of this class stratification were the declines in land-holding and in literacy. In 1882 average acreage per person was 1.5; today it is 0.8. In 1882 eighty per cent of the people were illiterate; by 1920, under British rule, the figure was ninety per cent. After fifty years of British rule in Southern Sudan the population was still so backward that it went naked. At least two-thirds of Egypt suffered from bilharzia disease and hundreds of thousands from trachoma. Probably nowhere in the world will you find so many blind or partly blind people.

British apologists point to the big cities of Cairo and Alexandria to show how life has improved. There the streets are jammed with modern autos, thousands of members of the upper classes live in mansions and enjoy a life that contrasts sharply with life in the villages. But beyond the cities are the fellaheen mudhuts without windows, furniture, or sanitation. The inhabitants eat one or possibly two skimpy meals a day of bread and onions.

Egypt, unfortunately, is not an isolated example. The story of the nineteenth century is the story of nationalism, of minor and major revolts, of peasants attempting to secure title to their land, of corrupt authoritarian empires creaking at the seams, and of western powers who took advantage of this situation to weaken the old empires which stood in the path of their own road to empire. Periodically the oppressed nationalities of feudal Russia, like the Poles, rose against the Czar. In India, the Mogul empire which had ruled the subcontinent for centuries was falling apart, attacked by the Sikhs, Marathas and others. The Manchu dynasty in China and the Shogunate in Japan were meeting with increased opposition and revolts. Spain and Portugal were losing con-



trol over Latin America, and great revolutionaries like Simon Bolivar were attempting to unify much of South America into one state. The Egyptians, Greeks and some of the Balkan states were rebelling against the Ottoman empire.

But somehow the seeds of revolution did not grow. The British took advantage of the revolt of the Hindus against the Moguls, and then entrenched new feudal lords in India, Hindu, pro-British lords. They encouraged the Greek revolt against Turkey, but did not permit Greece to establish an effective Capitalist economic unit. British diplomacy kept Greece impotent and semi-feudal. The British prodded the Egyptians to rebel against the Turks, but seized the nation for themselves and continued feudalism. Lawrence of Arabia encouraged the Arab nations to fight the same disintegrating Ottoman empire, but the British did not permit Arab nationalism to emerge as a united, Capitalist state. Instead they divided Arabia into a number of components, gave Syria and Lebanon to France, and kept the rest remaining under British domination, split up into weak, defenseless, feudal countries.

From 1850 to 1864 the Manchu dynasty in China was wracked with a rebellion which almost succeeded in overthrowing the regime. An American and a British general helped to some degree to suppress this revolt. But in the same period the West was forcing the Chinese to open six new ports for trade and residence, to grant the West extraterritoriality, the right to its own customs regulation, and to station foreign warships in Chinese waters. The many internal revolts of this century in China laid the groundwork for Russia to annex the entire area north of the Amur River, the French to take Indo-China, the British to take Burma. Each power had its own secret allies among the warlords of China, who did its bidding, and successfully broke an ancient civilization into a large number of impotent pieces. But while the West spurred this process of *territorial* disintegration, nowhere did it assist the process of *social* disintegration.

The United States, in its own small ventures at colonial domination, also came to the aid of national revolutionaries but never quite helped them cast aside the baggage of feudalism. When the Philippine people rose against Spanish domina-



tion the United States used this as one of the pretexts for declaring war on Spain. But after the victory, when the leader of the rebellion, Aguinaldo, insisted on independence, American troops fought him and his people for three long years until the revolt was crushed and the country became an American colony. The American Monroe Doctrine successfully kept foreign powers from seizing colonies in the western hemisphere after the Spanish and Portugese holdings were lost. In this sense it served progressive interests. But in the more acute social sense it failed to stimulate the development of Capitalism in Latin America. On the contrary, by diplomatic means, for its own reasons and its own profits, it has thrown its weight on the side of continuing feudalism. America, like Britain and France, has coated Latin American feudalism with a veneer of trade and capitalism, but at the core it is still upholding feudal land tenure and the feudal juridical system.

What is the reason for the strange marriage between feudalism and Capitalism? Why didn't the West help the rest of the world to destroy feudalism? Left to its own devices, feudalism might have died at least five or six decades ago. The process might have been slower than in the West, but the signs of disintegration were already quite evident. Why didn't the West hasten this process? Why did it, on the contrary, revive the feudal structure?

In seeking the answer one must go beyond isolated incidents in history. One must go to the dynamic of Capitalism which made the marriage almost inevitable.

If some wise Capitalist statesman had plotted the chart of historical progress he would have argued that the West had far more to gain by nurturing a Capitalist revolution in the underdeveloped countries, than by buttressing feudalism. The mass markets for western goods would have been many times as great as they are now. The advanced countries do much more trading among themselves where living standards are high, than with the poor nations where living standards are low. Indian or Chinese masses with a standard of living raised ten or fifteen times would offer a mass market for British, French, American or German manufacturers. But that is the long run outlook.



The traders who laid the foundation for imperialism in the seventeenth and eighteenth centuries were neither idealists nor savants. They merely wanted to trade and make a profit. By the time nationalism began to stir in the backward areas, the Capitalist nations were so involved with their feudal allies, that they could hardly risk their investments in return for *future* benefits from future trade. A new national regime might expropriate their plantations, seize their mines, obliterate their extra-territorial rights and cut off entirely their *immediate* privileges and advantages, gained through the centuries.

Capitalism's union with feudalism was already centuries old. It would have taken great statesmen and a benign Capitalist world to give up the lucrative concessions already achieved. The industrial revolution was in full swing in the nineteenth century; competition between the advanced nations was sharp indeed. The West needed all the additional capital it could lay its hands on, and the colonies were used as an instrument for accumulating this capital. The colonies supplied the capital for the mother country instead of using it for their own industrialization. By robbing Peter Capitalism was able to pay Paul.

Had the political clairvoyants of England, America and Europe foreseen what was to befall them after World War II, they might have taken those steps towards social change which would have altered the social structure of the underdeveloped world. They might have revised the land tenure system and gradually introduced a normal industrial revolution. But history shows that the overfed seldom sympathize with pangs of hunger.

The tangle of imperialism thus tightened inexorably, till it has formed the current knot. The first European traders only wanted to trade with the East. The well-developed civilizations of Asia, and the undeveloped civilizations of Africa and Latin America, were not enthusiastic about trading with the West. Some of them closed the door. Japan for instance permitted only the Dutch to trade with them and only at one port, Nagasaki. Other powers were excluded entirely.

Western penetration, nonetheless, was inevitable. By bribing a feudal lord here or terrorizing another there, western



companies were able to establish trade bases. During the 17th century, British, Dutch and French investors, each organized their own East India company to buy sugar, spice, and other goods from the highly developed orient. Since the East was suspicious of foreigners generally and might very well take reprisals against the tradesmen, the East India companies outfitted their ships with modern arms and organized their own private armies. And since western arms were far superior to the more antiquated military weapons of the East, these companies established footholds throughout the orient with relative ease.

Having established one foothold and one feudal lord who served the western purposes, the rest of the penetration was simple. As industry back home improved and western trade expanded, so did its political power in the underdeveloped areas. In China the British by the mid-nineteenth century were rooted only in Canton. They wanted more ports of entry, and lower duties on their wares. The Manchu dynasty on the other hand was not happy with the havoc played by the tradesmen with their ancient society. When it continued to restrict British trade, English warships proceeded along the coast, bombarding forts and cities, and making it quite clear to the Chinese monarch what would happen if he persisted. The result was that in August 1842 the Manchus were forced to sign a humiliating treaty regulating trade conditions and opening to British commerce the new ports of Shanghai, Amoy, Foochow, and Ningpo. The Americans and French moved in later. Finally there were twenty-eight nations in China, each with its separate privileges. Each had its own cities, its own police, its own troops, its own warships, its own laws, its own postal system, all outside the pale of Chinese law or the control of the Chinese dynasty.

A "compradore" class of Chinese emerged which became allied with the foreigners in their trade inland, and a whole host of war lords were bought or terrorized into serving one or another of the various powers. Both the "compradore" and the war lord were integral parts of the system by which trade could be maintained and concessions secured for plantations or mines.

The white tradesmen were not content to leave things as



they were, to buy what was offered on the native market. They insisted on telling the natives what to grow and when to grow it; and with the help of their arms and their controlled feudal lords they were able to enforce this edict. If cotton, for instance, was needed by British industry, the Egyptian peasant was ordered to grow cotton.

The crafts and guilds were subject to the same domination. The first reaction of the British in India was to order textile craftsmen to lower the price of cloth by 40 per cent so that it would be an attractive item for the English market. Later, when their own textile industry began to flourish in Manchester they broke the back of the Indian textile crafts altogether, prohibited them from fabricating competing goods, and forced the Indian people to buy only British textiles.

Nehru has described the process in one of his books:

"The Indian textile industry collapsed . . . (British expansion) continued throughout the nineteenth century, breaking up other old industries also: shipbuilding, metal work, glass, paper and many other crafts . . . No attempt was made to apply the new (industrial) technique to India. Indeed, every attempt was made to prevent this happening, and thus the economic development of India was arrested and the growth of new industry prevented. Machinery could not be imported into India . . . The liquidation of the artisan class led to unemployment on a prodigious scale . . . Their old occupations were no longer open to them; the way to new ones was barred . . . India became progressively ruralized. In every progressive country there has been, during the past century, a shift of population from agriculture to industry, from village to town; in India this process was reversed as a result of British policy. The figures are instructive and significant. In the middle of the nineteenth century about 55 per cent of the population is said to have been dependent on agriculture; recently the proportion so dependent was estimated at 74 per cent."

These measures were only made possible by political alliances between the West and feudal leaders. When industrial Capitalism at home began to expand, alliance with the feudal elements became even more necessary. The West now needed raw materials, tin, rubber, coal, cotton, palm



oil, jute and hemp. It wanted the right to exploit mines, establish plantations in the interior and drill oil wells. Political favoritism gave all this to the West. A unified independent regime in Asia would probably revoke western privileges. It would not permit slave labor or semi-slave labor in the plantations, nor would it tolerate the existing low wages. An independent regime would favor home industry by a high tariff on imports, and it would not permit the western powers to withdraw so much capital from their countries.

The prospect of a national revolution in the underdeveloped areas was frightening to the industrial western powers. They preferred to seize full political control of many underdeveloped countries as a means of preventing the impending catastrophe. To the native peoples, nationalism would bring a change in land tenure, a prospect of industrialization, cultural and legal progress, and eventually a better life. To the white man it would mean only disaster. The rubber and tin plantations would be gone, the super-profits from trade would be cut, and the process of capital accumulation at home would be seriously jeopardized. European Capitalism had an economic stake in perpetuating feudalism elsewhere.

European Capitalism therefore used one pretext after another to extend political control in the underdeveloped areas. From control of a few ports it demanded conquest of whole nations. Once conquest had taken place, the colonial power reorganized, but strengthened the feudal system. The British, French or Dutch pampered and promoted native lords, made them rich and granted them powers they did not possess before. The feudal classes, given a free hand to maintain "law and order" and assured both of military protection from the imperial powers, as well as guns for their own private armies, ran riot. They became great, though always servile, potentates. The Nizam of Hyderabad, for instance, founded a fortune of four billion rupees, \$800 million at current rates of exchange. Other rajas, zamindars, khans, sheikhs or pashas in Iraq, Egypt, India owned, as we have pointed out, hundreds, sometimes thousands or tens of thousands of *villages*. Before imperialism such wealth did not exist nor did the depth of degradation of the masses. This widened gap between wealth and poverty is a distinctly



imperialist contribution. On the other hand the strengthening of the feudal lord and decentralization of power gave Western nations the stability they needed to continue exploitation of the colonies. Professor Rushbrook Williams expressed the thought most frankly in the *London Evening Standard* of May 28, 1930, when he wrote:

"The situations of these feudatory states, checkerboarding all India as they do, are a great safeguard. It is like establishing a network of friendly fortresses in debatable territory. It would be difficult for a general rebellion against the British to sweep India because of this network of powerful, loyal, native states."

Of course, not all imperialist rule operates directly through native potentates, as in the case of India's 562 princely states. Even in India these states accounted for only a minority of the population. Elsewhere there is direct rule by a French, British, Dutch or American governor. But there is always some decentralization and some considerable reliance on native lords to help in maintaining "law and order." Area governors, appointed by the imperial power, are in fact agents of feudal lords and village headmen, servile vassals of the reigning landlord. Whether the rule of the feudal lord is direct or indirect, it is real.

"Law and order," a stable condition for trade, profits and exploitation of natural resources are the guideposts of empire policy. In fact, even where a *pre-feudal* society exists, the great powers have often converted it to full-fledged latter-day feudalism. When the British occupied Iraq in 1919, for instance, there were only ten or fifteen sheikhs, and these men were relatively poor. A majority of the population lived at the primitive tribal level and owned land communally. The Turks, who previously had occupied Iraq, had been unwilling to share much power with native landlords. Presumably their military power by itself was sufficient to keep the subject peoples subdued. But the British neither wanted nor needed to use their own military force exclusively. They had no compunctions about sharing the booty with others. Under the expanding Capitalist industry there was enough for everyone—everyone except the common masses. Britain raised one native ally after another to the level of sheikh. It



registered lands in their names, gave them arms and money, and used them, rather than their own British armies (which they judiciously held in the background for an emergency), as the instrument of "law and order." Today the feudal sheikhs run Iraq, with Britain, as usual, the real power behind the scenes and British armies always available (as they were in World War II) to check any major revolt.

The wealth in oil has converted the cities of Iraq. Now they have buses, hotels, a few modern buildings and a small semblance of freedom. But the rural areas where most of the people live are still permeated with the localist spirit. Before 1932 when the nation achieved nominal independence the British appointed the governor in each of the fourteen provinces. He collected taxes, dispensed justice, controlled water rights, etc. He was either a feudal lord himself or an agent of the great man, and his powers were almost unlimited. Today the governor is no longer appointed by the British; instead he receives his mandate from the minister of interior; but he is still a lord or a complacent ally of the lord, and his powers are still unlimited. His harshness and cruelty are still so prevalent that in one area of Baghdad you see a vast slum of tiny huts where 200,000 peasants live as refugees from the cruel sheikhs in south Iraq.

In economic terms the purpose of imperialism like the purpose of Capitalism generally was to spur capital accumulation. But it was a capital accumulation of a bastard type, its purpose differed entirely from that of capital accumulation at home.

The surpluses and savings that resulted from technological advance in England, France, Holland, Germany, Japan or America were used for building the industrial economies of England, France, Holland, Germany, Japan or America. The surpluses earned by these same powers in India or China or Egypt, however, were not permitted to remain there, but were withdrawn. Capital accumulation in the colonies was merely a supplement of capital accumulation in the home country. It fed raw materials and profits into the maw of industry at home, while simultaneously inhibiting the industrialization of the under-industrialized areas abroad. Every American schoolboy knows of the British restrictions on in-



dustry in colonial America, how the Crown insisted that the colonists ship raw materials exclusively *to* England, and buy finished goods exclusively *from* England. The savings of American farmers and tradesmen, gained through hard work in the fields or in trade, could find no outlet so long as the British dominated the New World politically. Capital accumulation on a *Capitalist* basis was impossible until after the Revolution.

Our own experience in the 18th century was typical of the general colonial pattern. The United States was able to break out of colonial domination. But in the underdeveloped areas today the same difficulties that confronted the thirteen American colonies yesterday are apparent. In fact the situation is worse because we in America had a less feudal land system, while the rest of the world, particularly Asia, has been seriously hampered by agrarian feudalism. Admittedly the colonial powers did introduce some improvement in techniques, some labor-saving machinery, and did develop a money economy and capital accumulation. But that capital accumulation was artificial and did not help the country where it was accumulated. It did not stem from land reform, improved production on the farm, savings, and investment in industry. It was an artificial type of accumulation where the foreigner invested a little in the country and took out considerably more. The white man built what has been called a "plural society", when he grafted a veneer of Capitalism onto the body of feudalism. Two quite distinct economic systems existed side by side. The natives lived under feudal land tenure, grew food and continued some of the village industries which the foreigners permitted them to retain. The foreigners, on the other hand, with their modern plantations, mines, refining plants and factories, operated these pockets of Capitalism within the feudal structure, solely for the products and profits *they could take out of the country*.

Dr. J. S. Furnivall speaking of Burma describes the process in characteristic terms:

"Economic progress did however find a justification in the growth of trade and the accumulation of capital. This was usually termed foreign capital but in fact very little new capital was imported into Burma. The capital was the product



of joint enterprise of Burmans and foreigners; it was foreign capital only in the sense that the surplus product of their joint enterprise passed into the hands of foreigners. In homogeneous western countries such as England the accumulated capital remains at home or is invested abroad to bring in larger returns. But in Burma much of the surplus went abroad in the form of profits and dividends . . . Burma was drained of much of the capital that it produced, and so much of it as remained in Burma did not add to the national wealth but to the wealth of the foreign section of the community. The Burma Government owned little productive capital except the railway and the irrigation works, and for the railway it was still in debt to India." (India, of course, meant Britain.) "Burmans in general had no capital beyond their land and cattle."

In the plural society of the colonies, the basic social crime of the West was that it checked the process of true capital accumulation. Even while introducing Capitalist trade and Capitalist industrial techniques, it prevented colonial society from following a true industrial course by stifling the mechanism of capital accumulation. The deliberate failure to introduce land reform, the buttressing of feudalism, achieved that purpose. Even though various rajas, pashas, sheikhs earned fabulous incomes, the momentum of feudal society precluded any large scale investments by these lords. In the imperialist colonies as in the normal pre-imperialist feudal areas there is no incentive for converting savings into capital. The peasant has no savings. The lord has no need to invest and no mass market at hand that might spur large scale investment in any circumstance. Only the foreigner has an incentive to invest savings, and he only does so, because he will take his profits and his raw materials out of the country to augment his capital accumulation at home.

It seems quite clear that had the West intervened only economically, with its trade, and such factories and plantations as it was permitted, had it penetrated just economically, instead of economically, politically *and* socially, then the process of national revolution and true capital accumulation would have been speeded enormously in the colonies. Legitimate trade with craftsmen of Asia, Africa and Latin America



would have created the same pockets of non-feudalism which existed in Europe. After the crusades and after the explorations of Columbus, Drake and the others, our western civilization expanded trade and witnessed the emergence of city-states like Venice or Florence. These non-feudal states accompanied the breakdown of the old guild and the old restrictions against banking, usury and trade. These were in fact the forerunners of modern Capitalism, and their counterparts would very likely have developed in the orient and perhaps elsewhere, as intercourse between the nations of the world became more regular.

The breakdown of the guilds, in turn, would have resulted in the strengthening of nascent Capitalism. Out of this breakdown in Europe was born the burgher class and a whole host of bankers like the Medicis or Fuggers who soon assumed roles of real power. Periodically the great lords or the kings had to mortgage themselves to this saucy class to appease their appetite for luxury or to finance their wars. With each such "favor" the banker-burgher class enlarged its political prerogatives until finally it could challenge the old order in a series of revolts. By virtue of the French Revolution the third estate became the government in France. In Holland, Britain and America similar revolutions shook at the towers of feudalism. New classes, with a different historical momentum, socially dynamic rather than socially static, replaced the old autocracy. This was the result of a world made shorter by virtue of improved travel, the compass and other scientific knowledge. It was also the end result of innumerable risings of the people against tyranny, the peasant revolt of 1381 in England after the Black Death, the *Jacquerie*, a similar revolt in France after the Hundred Years War and various other revolts in Spain, Italy, Germany, Austria and parts of Scandinavia. Each of these efforts breached the feudal structure a bit more, until the national, Capitalist, free-enterprise system finally prevailed in the advanced countries of Europe.

Why that nationalism penetrated Europe and America before Asia or Africa is not easy to assess. Perhaps the Ottoman empire had the internal fortitude that the more delicate European fabric lacked. Perhaps the Confusian system in China successfully repressed the merchant class with a vigor



unknown in Europe. Perhaps Mohammedanism, stretching from the Atlantic coasts of Africa deep into India, still had not exhausted its intrinsic powers. Perhaps the world in the East was more tired than the world in the West. Or perhaps the challenge of nature in a warm eastern climate did not evoke as sharp a response as the colder climates of the West.

But once nationalism had been planted in Europe, once a system of trade and industry had become predominant on the new continent, it was inevitable that a parallel process would occur on the old continent, and later in Africa and Latin America. Trade has always spurred the spirit of freedom. It would have accelerated the contradictions within the old feudal system. An oriental burgher class, confident of its destiny, growing more powerful, might have offered the leadership that would have mobilized the peasantry to transform the villages. It would have set in motion many forces, in many directions, and particularly as the old empires in the orient were in the process of disintegration. The great disparity between West and East that plagues humanity today, might have been avoided. Transformation of the social system, especially in Asia, would have led to a healthy capital accumulation and a healthy assault against poverty, ignorance and disease. It would have sown the ground with democratic seed, instead of making it fertile for the Stalinist seed which has spread in so many portions of the underdeveloped world.

All of this, however, is in the realm of conjecture. The fact is that the West did not confine its activity to mere trade. Trade led to political and social domination and to a marriage with feudalism which set humanity back many decades and now threatens our whole western "way of life."

It would be folly to paint this picture all black, or to pretend that we have covered the whole story of imperialism. We have chosen only the high points. Imperialism has been cruel, but not necessarily venal. Like feudalism itself, it grew out of certain natural developments in the Capitalist system itself. It was not all bad; here and there, there have obviously been some improvements in the plight of the common man. Imperialism educated, to use a Marxian term, its own "grave-diggers," the educated middle class which later formed the backbone of nationalism. Men like Gandhi, Nehru, Kyaw



Nyein, Sjahrir, Jayaprakash Narayan, Djumblatt, were all educated by the Capitalist powers they later ejected from their countries.

To administer countries like India with hundreds of millions of people, the British and others had to train millions of civil servants. Literate men were needed to man the railroads, banks, government offices, trading centers, police headquarters, native army, stores, and to take care of personal services for the white man. Obviously a nation like Britain or France, with only 40 or 50 million citizens each, was in no position to send hundreds of thousands of colonizers out. The only other alternative was to educate a core of reliable colonials. This empirical necessity explains the higher education of millions of natives, even while eighty per cent or more of the citizenry remained illiterate.

It would be folly, too, to condemn all the individuals in this imperialist process. The white men were not the only corrupt forces, nor necessarily the worst. For instance, in the 18th century when the Mogul empire in India began to crumble, there emerged not an idealistic opposition but, in the words of Victor Harlow, a horde of vicious Hindu freebooters who "carved out for themselves independent principalities and became a scourge on their suffering subjects. Everything was for sale, from the supreme control of a province to the private property of a wealthy neighbor. The English Company was faced with the rapid extinction of its trade in the prevailing anarchy. *Gradually and reluctantly it adopted the costly policy of political interference.*" (The emphasis is mine.)

Morally a strong case can be made against the marriage of expanding Capitalism with tottering feudalism, but historically it was difficult to avoid. Let us consider the plight of a specific modern company, like Aramco in Saudi Arabia. This company has an investment running into scores of millions. If it helps revolutionaries establish an independent national state in Saudi Arabia, democratic and Capitalist, its franchise will almost certainly be revoked. Even if the company were idealistic, there appears no likely possibility of a revolt against the authoritarian regime in Saudi Arabia. What then shall Aramco do? It naturally works with the feudal regime.



As a practical measure the foreign company can do little else. If it runs a pipeline from one section of the country to another it must be assured that the pipeline is secure from vandals or revolutionaries. Only the feudal lord in the area has the military, political, and judicial power to secure it. Thus when an oil company hires a worker it insists that he bear a recommendation from the reigning family. Those are, after all, the only safe allies. A mutual relationship and interdependence develops: the foreign company assures a strong feudal system, the feudal families protect their benefactors.

Corporations like Aramco or the British AIOC boast that they have built a number of houses for the natives, and a number of schools and dispensaries. Some of this is a necessary means of attracting people from the fields to work in oil refineries. Some of it is exaggeration. On examination it develops that the good homes go to executives and white collar workers, or that schools are empty because workers' children cannot afford time off from work for such luxuries as school. Some of it, however, is genuine. It salves a few consciences, acts as excellent window-dressing and good public relations material for western tourists. But the significant thing is that these superficial graftings on the feudal body do not change it in essentials. Saudi Arabia, Persia and various other countries are still authoritarian feudal regimes, despite the window dressing.

What is lacking is the social mechanism for capital accumulation! Lacking also is basic social change.

The world in which America has risen to greatness and which she now hopes to save from Stalinism, is not a world she has made in her own image, but a world she inherited, primarily from the British. That world is an anachronism, basically feudal and held in check by imperialism. It is a world which at its ruling centers is thoroughly reactionary, completely opposed to freedom in our accepted sense, and socially, politically and economically static. It is a world which our western allies have fashioned and which presumably they want to preserve. Those allies, along with the native feudal lords, are hated in most of the "free" world, precisely for that reason.



The masses of humanity understand that it is not natural poverty which has kept them poor, but man-made and man-preserved feudalism. In the last century they have seen western imperialist powers sustain, nurture and rebuild that feudalism. No wonder they hate the West! No wonder they hate America when it tries to defend Britain in Iran or France in Tunisia! The man who finds that he must pay 50% of his crop for rent, who lives in a mudhut, who loses one out of every four children at birth because of lack of medical or sanitation facilities, who sees his own feudal lord, aided by the West, growing richer and more arrogant with each decade, that man is ripe for revolution.

Once he learns the connection between imperialism and feudalism his revolutionary hatred grows, because now it can fasten itself on a foreigner. The native lord has certain barriers to protect him, barriers like a common religion. In thousands of instances peasants will not rise against a feudal lord because he is a member of his own family. The feudal family is a much larger unit than ours, including first, second, third, and even fourth and fifth cousins in the immediate family, sometimes hundreds of people. By tradition each family member, no matter how remote, must be cared for and respected just as we in the West care for and respect a brother or a sister. The church, too, in underdeveloped areas tends to imbue a peasant with both fatalism and a much greater respect for authority than is customary in the west.

A few miles from Teheran in 1952 the peasants in two villages refused to pay their annual rent. One of them remarked "It was a sort of a revolution." But in one of the villages they brutally beat their landlord; while in the other they didn't because he was a family member. The hold of the family and the church is of course slowly breaking, but it offers greater insulation for the native feudal lord than for his imperialist ally. The foreigner in the underdeveloped areas has no shield, except a military shield. He is universally loved if he contributes to the liberation of the society from feudal restrictions, or universally hated if he helps to consolidate or strengthen the feudal system. There is no middle ground.

In these last forty years some of that hatred has overflowed. Middle classes in the cities, educated by the imperialist



powers, have led nationalist movements that forced the British, the Dutch and the French to get out. The 1911 revolution in China, under Sun Yat-Sen, and the 1917 Bolshevik Revolution in Russia, made the great powers modify their colonial rule where they did not get out. Parliaments began to spring up, natives were involved more in administration and consultation. But the change was begrudging. The real ruler remains the army-backed foreign governor. The advisory powers gained by a handful of natives have meant little. A few more people were educated, some roads were built, natives became cabinet members, but the total scheme was still feudal, and still socially static.

The fragile marriage between feudalism and imperialism unfortunately is still not in the divorce court. It deteriorates ceaselessly but the spouses linger together in the hope that it can still be mended. Where independence has been achieved the West is taking no positive or sustained action to help destroy the feudal social schema. Where it has not been achieved the West clings to its centuries-old feudal alliances with a tenacity that seems incredible.

In the marriage with feudalism the Capitalist world has not yet seen its own doom. But unfortunately lingering feudalism chokes the so-called "free" world and threatens to destroy it. Now that the western powers (except for the United States) have been weakened, native nationalism has seized the opportunity. In one country after another it has thrown off the shackles. And in one country after another it has looked longingly outward for allies. A revolutionary United States back in 1776 locked hands with the great French nation to break the yoke of Britain. A revolutionary North in the Civil War also relied on French assistance to help achieve victory. The revolutionary nations of Asia today, like America yesterday, are looking for friends and allies against the combined force of feudalism and imperialism. Those who help their feudal lords, either directly or indirectly, they hate and will continue to hate. Those who help the peasant, intellectual and worker to achieve freedom, industrialization and some economic improvement will be cherished just as we Americans cherished the friendship of LaFayette in the Revolutionary War.



## Chapter 3

### THE SPIRIT THAT MARCHES ON

The ill effects of feudalism, unfortunately, are not confined to the "backward" East. Like a malignant cancer, feudalism spreads beyond its own Eastern boundaries into the very heartland of the western world itself.

This is of considerable significance to American policy. Suppose that we sign a pact with Country "X" for a political or military alliance. If the government that signs the pact is stable then our State Department can be reasonably secure that the agreement will be adhered to. But if the nation is socially explosive, if there is a possibility not only of new governments but of revolution, then the agreement is not worth the paper it is written on. Everyone remembers the wartime pacts of the Western Allies with Czarist Russia, before the Russian Revolution; and the renunciation of those agreements by the Bolsheviks when they seized power. Even where revolution itself is not imminent the instability of a regime, as for instance France after World War II, leads to many difficulties for U. S. foreign policy. If the social climate of a nation is unhealthy it is a serious factor in foreign policy.

Examination of the social physiognomy of some of our allies reveals a second world illness, not feudalism itself, but feudal *carry-overs*. This ailment afflicts not the underdeveloped world, but the industrialized segment.

Most of us have become conscious in recent years of the instability of countries like France or Greece or Italy. Some writers have attributed it to "poor natural resources." Some to poor leadership. Some to "Communist cleverness." Few, however, have examined the intrinsic social fabric of these nations to see if there is any internal inhibiting factor which stalls economic and social progress. It seems to be taken for granted that a little more "push" by the leadership of these nations, or a little more capital, or a little more alertness against "neutralist," could propel Greece or Italy or Austria



or France along the road to greatness. Yet even a cursory examination reveals that, more than anything else, there are vestiges of feudalism in these lands which prevent sustained advance.

The fact is that a social revolution is a *continuing* process which is never really finished, and that failure to complete the national revolution in France, Italy, Greece, Austria and Japan underlies their instability.

Characteristically we speak of a "French Revolution" of 1789 or an "American Revolution" of 1776. But actually all that happened in 1789 was a shift in state power from the feudal class to the burgher class (and its allies). All that happened in 1776-83 was a shift in power from the colonial semi-feudal British governors to a nascent American Capitalist class. These were grand historical moments which stood out against the background of the past. But the Capitalist revolution in France extends beyond 1789; it began before 1789 and has never really been completed. Similarly the Capitalist revolution in America was rooted not just in the Revolutionary War but in the many slave revolts, Bacon's rebellion, the Boston Tea Party, the Committees of Correspondence, and above all the growing trade (much of it illegal) and prosperity of the colonists. And it was not completed until decades after the Civil War.

Not all the institutions of post-revolutionary France were Capitalist. The transformation of *institutions* is a much more tedious task than the shifting of state power. "Pure" social systems just do not exist; every society is a mixture. Our American system, for instance, is Capitalist. But it has state-owned "Socialist" post-offices and Tennessee Valley Authorities, besides some semi-feudalism in the sharecropping and peonage practices of sections of the South. Yet America is the nation which went furthest towards completing its national, democratic, Capitalist revolution.

In other advanced industrial countries there has been an undeniable shift in state power from the feudal classes to the Capitalist classes. But while power changed hands the feudal institutions as such were not all transformed. Somewhere along the line social change stopped short, leaving



society in the twilight zone, not yet transformed to a classical or relatively free Capitalism.

The virulence of carryovers from an old system can be gauged by our own American experience with slavery. The American Revolution had extirpated the semi-feudal relics of colonial America, but in the South it had carried over the institutions of chattel slavery. Now in the mid-nineteenth century this carryover severely straitjacketed industrial capitalism. The southern economy was static. With many, many millions invested in slaves, the South fought bitterly against the spread of Northern Capitalism which, it correctly understood, would sound the death knell for the South's specific form of economy. Since Southern Bourbonism held political power in its hands, at least the power to veto the program of the North, it was able to prevent the building of roads and canals, the opening of western lands to free proprietorship and the imposition of high tariffs to protect the North's new industries. The institution of slavery prevented both the development of the South itself and slowed down the march of the North. A Civil War was needed not only to abolish slavery but a slave economic *system*. The North would not have fought so hard just to free a few million underprivileged Negroes. Its own social system was at stake; industrial Capitalism could not expand so long as the chattel slave carryover impeded its progress.

Without that Civil War, that grand act of social violence, America's economic system might have been as impotent as that of France or Italy. The United States was certainly far behind Britain at this point; it probably would have remained far behind. There would have been no network of tens of thousands of miles of roads and railroads. There would have been no large-scale industrial development. Without the Homestead Act which opened up the West, without high tariffs, without centralized government and the gifts of vast tracts of land which encouraged railroad construction, the economy would have remained restricted. The purging of atavistic hangovers was a precondition for this progress.

Other nations, unfortunately, have not been so successful in atomizing "atavistic carryovers." They were able to establish Capitalist societies, shift power from old classes to new,



dynamic classes. They were able to write democratic constitutions and achieve a Capitalist legal structure. Peasants in their villages no longer were forced to pay tithes to their lords, or work on their farms. In that sense feudalism was dead. But some of the *spirit* of feudalism still prevailed. The social changes away from the old system were not complete. Some of these countries were rich in natural resources, like France; some, like Italy, were not. Some have been weakened by war, others have not. Some, France is noteworthy, had no trouble accumulating large sums of capital. But all this notwithstanding, nations with severe feudal carryovers have been unable to make the progress of less inhibited Capitalist societies. Their permanent social crisis and their inner-weakness have posed constant problems for the whole western world. What explains, for instance, the inability of the French to stabilize their regime or whittle down the Communist "menace?" What explains the inability of Italy to shed Communism internally? What explains the weakness of Greece in fighting the Communist guerrillas so that it had to seek hundreds of millions in aid from America; or the insistent re-birth of Stalinism once the civil war was over?

The explanation lies in the economic weakness of these countries. And their economic weakness stems from the restrictive effect of feudal carryovers.

Consider, a few examples. Start with the most undeveloped of these nations, Greece.

Greece was a Turkish dominion for about 400 years, prior to 1821. Under the Ottoman empire it was a typical feudal outpost, with Greek peasants working under Turkish lords in each of the six *sanjaks*. The Sultan in Turkey had obligingly assigned these lands to fellow countrymen, given them the right to tax, to exploit, as they saw fit, in return for raising a moderate army for the empire. Turkey in this period was probably the strongest power on earth. But as with all great empires it began to decay from within. The American Revolution in 1776, the French Revolution in 1789 began to give people ideas. Greek nationalism emulated the others and engaged in a full-fledged revolution in 1821. By themselves the Greeks might not have won; fighting in fact continued for seven years. But the British, French and Russians



all had a stake in whittling the Turkish domain. Turkey was the obstacle to their own expansion. Hence, with the aid of the French, English and Russian fleets, Greek independence was finally assured, and a nation was proclaimed in 1830.

Nominal independence, however, didn't by itself destroy feudalism. The new nation was only 20,000 miles square, with a population of 800,000. The British might be anxious to chip away a piece of an enemy empire, but they had no desire to build a powerful new force in the heart of Europe. Greece remained an impotent and uneconomic unit, always controlled from the outside. Its first monarchs, imposed by the Russians and British, were from Bavaria, Schleswig-Holstein and other lands. The land was rocky, unfertile, but each time the nation tried to expand to more fertile adjacent areas, the English and French stepped in to check it. During the Crimean War the two western powers in fact occupied the port of Piraeus to stop Greece from taking Thessaly. Diplomatic pressure prevented it from attacking Turkey again during the Russo-Turkish war of 1877-78. Only the final assault on the Turkish empire, during the Balkan wars of 1912-13 and the first world war, finally offered Greece an opportunity to reach its present size of 50,000 square miles and 7½ million people.

After World War I a revolutionary force under General Plastiras took the reigns of government, and a republic was proclaimed. But once again the change was circumscribed, the tide of social progress rapidly checked. First Republican dictators and then a royalist dictator, General Metaxas, ruled the nation. During the second war the Italians and then the Germans controlled its destinies. Afterwards there were three or four years of revolt led by the Communists, but the victory over Stalinism did not result in a thoroughgoing alteration of the economy. Instead it brought a succession of governments and finally the ultra-conservative regime of the late General Papagos.

Through this century-long saga of domination and conservatism the fresh air of anti-feudalism has never penetrated. Independence laid the foundation for a dynamic democratic system but conditions never advanced much further. Moderate changes were made in the old structure, but the basic



spirit of feudalism still prevails. The land tenure system was altered as a result of land reform so that today there are few tenant farmers. Each peasant owns his own small patch. But the modern Greek village is still a thoroughly isolated spot with few connecting roads. Production is still primitive and the strip system still prevails. A farmer may have five or six strips, each a mile or two apart. Thus the yield of grain crops is only one-third to one-half that of the rest of Europe. Crop land per person is only 1.31 acres, about the same as that in India, only a third of that in France and Germany. Mechanical cultivation is almost unknown and most of the country is inaccessible by highway or railroad. Industrial production is but a tiny fraction of the national economy, only one-fifth of agriculture. Of an active population of 3,500,000, agriculture claims 2,300,000.

The spirit of the social system remains, despite the 19th and 20th century revolutions, autocratic, paternalistic and restrictive. Until recently each of the forty-nine nomoi (administrative districts) was ruled by a nomarch, who, according to a 1952 American report "had developed into a virtual dictator over the local units in his area. All decisions, whether in finance or public works or any other field, had to be approved by the nomarch . . . Likewise national ministries such as Public Works, Interior, Social Welfare and Finance, had decisive powers of control and supervision in local government. Actions such as the repair of a water pump had to be approved sometimes by three agencies, the nomarch, nomos engineer, and the Ministry of Public Works. Often a year or two elapsed before all parties made their 'indispensable study' and gave approval to the simple act."

The civil service, like that of all Middle Eastern countries (except Israel) is lowly paid, corrupt, excessively centralized and full of red-tape. The whole apparatus is incapable of moving, of changing. The adage "it isn't what you know, but who you know" is perfectly fitted for Greece and similar countries. There is little incentive to improve, to change.

The tax system drains initiative and incentive still further. Direct taxes, such as income taxes, constitute only 15 per cent of the total national revenue. The rest is made up of indirect levies which fall heaviest on the farmer and poor



worker. There are taxes on every step of production and transportation. A farmer must pay a tax if he exports tobacco, wine or oil. There is a tax on movements of farm or manufactured products into or out of industrial towns. There is a whole host of "third party" taxes, such as taxes on bread that are paid to the bakers, or taxes on the export of currants to support the Athens Symphony, all reminiscent of the feudal system which levied taxes on merchants who used the manorial roads.

Instead of economic freedom there are severe controls at every point. For instance, the state insists that half of all the people who sort tobacco must be male. It insists too that a man may bale only 4 bales a day; in the United States a machine can do 3,000.

A trade union movement exists, but it is a sham. Every worker was required by law to pay union fees to a central labor federation, led, when I was in Greece last, by a royalist named Makris. The fee is checked off his wages whether he likes it or not, regardless of whether he wants to belong to a union or not. He cannot choose his own organization, unless he pays a second fee to an unrecognized labor group. Obviously a united federation that depends on the government for collection of its finances is not going to step out too vigorously against the government's wishes. This paternalism and control exists in almost everything. The whole financial system depends on the whim of a few government bureaucrats. And the bureaucracy itself is chosen on the basis of family or school ties, rather than merit. As under feudalism, both civil servants and workers are tied to their jobs; discharge is a difficult and often arduous task which needs government approval. Inefficiency rides along with this paternalism.

The result is that a country the size of Britain is only one-sixth as populated. In extenuation, some Greeks claim that the land lacks resources to develop properly. But studies by U. N. agencies indicate that Greece is much richer than it thinks. Natural resources are unexplored and uncharted, but they are there. An old estimate of the lignite available was 156 million tons; an UNRRA survey found it to be at least one billion. The Food and Agricultural Organization of the U. N. stated in a 1947 survey that "Greece has resources and



people capable of sustaining far higher productive levels than those so far attained. The country can very materially increase its per capita production and national income probably to double or triple its present levels within two or three decades."

Why hasn't it? No one can argue that Greece has lacked money, because the United States has poured billions of dollars into this small nation of less than eight million. Much of these billions, of course, went into war materials for fighting the Communists and rehabilitation projects when the civil war was over. But enough was left over for some basic progress later on. American officials, assigned to administer these funds, have torn their hair in despair at the inability to promote fundamental changes. Under the Marshall Plan a system was devised to pump capital into new industrial projects. Prospective borrowers were "screened" as to what they would do with these funds. But when it was all over, it was clear that most of the dollars went into speculation, not venture capital. The incentive to industrialize just doesn't seem to exist. Merchants borrow money to buy more when the price spiral is zooming upward, but they won't invest their savings in industrial schemes. The feudal spirit dooms the country to the status quo.

An American labor attache in Athens some years ago reported the plight of "short boot" makers who had been making short boots in their homes for many decades. (Please note—"short boots" not "long boots," or just "boots.") By custom the bank would finance their leather purchases and they would prepare the product with primitive tools by hand. After the war the British sent in machine manufactured boots of equal quality but lower-priced. They cut the ground from under their Greek competitors, despite the shipping costs from England. These short boot makers are typical of the suspended animation of Greek industry, agriculture, and trade. Little social incentive exists for transforming the merchant into an industrialist, the peasant into a mechanized farmer, the artisan into a Capitalist factory owner. The spirit of society, with its delays, red-tape, restrictive tax system, civil service bureaucracy, guild-like controls, prevents Greece



from completing its national democratic revolution. It dooms millions of people to painful poverty.

The feudal spirit is illustrated even more graphically in Austria. After the decline of the Roman Empire, Austria was the hub of Europe for many centuries. As such, it resisted the encroachments of nationalism more vigorously than some of the weaker powers, such as Britain. In the first half of the 19th century when the French Revolution was sweeping Europe like a prairie fire, Count Metternich doomed Austria by holding out against the new spirit. He fought it not only at home but abroad with a vigour that was praiseworthy in its zeal, but hopeless in its historical portent. The democratic national revolution never really took deep root in Austria. General strikes and uprisings after World War I, the experience of Nazi occupation and a new circumscribed democratic spirit after World War II have made their dent on the Austrian society. But the feudal restrictiveness runs through the economy like a red thread.

An Austrian girl who wants to become a saleslady doesn't just apply for a job as in America; she must be apprenticed for three years. A boy who wants to be a drill press operator spends three years "learning." During that time he will earn first \$2.80 a week, then \$3.20, and finally in his third year possibly \$4. After that his life career is set out for him in rigid fashion; the chances of crossing class lines or even occupation lines are fairly remote. In 1953 there were 40,000 new apprentices.

This virtual tying of a man to his job is all too typical of the closed-in economic structure of the nation. Business is equally fenced in by a trio of agencies which can easily strangle the individual businessman. The leading People's Party, the Chamber of Commerce, and the supposedly nationalized banks can make or break any entrepreneur. The Chamber of Commerce, unlike ours, is a quasi-legal institution which dates back to 1848. Each businessman or factory owner is required *by law*, not by choice, to belong to a trade association, and to pay its fees. From here the hierarchy continues to a provincial Chamber of Commerce and a federal Chamber of Commerce which is supposed to advise government on all laws affecting business and commerce. Similar



Chambers exist for agriculture and for labor. Each new law that is passed must secure the advice of the three Chambers. As of the middle of 1953 there was not a single instance where any post-war law was passed without prior approval of the three states within a state.

According to an American report issued in 1952 there were some 500 price-fixing cartels operating in Austria, functioning in and through the Chamber of Commerce. Each operated on the thesis that it is better to control prices, sell less, and earn greater profits than to rationalize industry or increase sales. By way of example, the number of textile dealers in Vienna has doubled since 1937 although the total amount of sales declined. Yet profits for the individual retailer (the report points out) have increased from 20 per cent to 35 per cent or 40 per cent: dealers doing half the business were earning double the profits. All over Vienna there are literally hundreds of tiny stores, sometimes no larger than half of a small bed-room. Despite a shorter supply of goods than in 1930 there are today 68 per cent more tradesmen (177,407 in 1952) in a country of less than 7 million, about one for every ten families. It is said that the average number of sales in a radio store per week is only  $2\frac{1}{2}$ , and that innumerable grocery stores service only 50 families or less. Yet all of these people make a living under the protective hand of their cartels which place prices so high that the most inefficient marginal producer can do well.

The rigidity goes even further. The squeeze for conformity comes on the one hand from the banks, through their manipulation of credit and investment, and on the other from the licensing system controlled by the cartels themselves. Those who are already in business are safe if they follow the rules and do not try any free competition. But anyone who wants to enter the ranks of trade or industry must secure a license approved by a trade association and Chamber of Commerce, often a difficult task indeed. An enterprising young American, for instance, wanted to open a chain of launderettes. First his license application was vetoed. After he secured a reversal, with the help probably of some American authorities, he had to contend with innumerable other pressures imposed by the trio of cartels, banks, government. His telephone rates were



discriminatory, he was told to remove fluorescent lighting, relocate a sign over his door, make out innumerable reports and permit an investigation commission of his premises for several weeks. Eventually the trio haunted the American until he sold out.

In Lower Austria a woman who had operated a grocery store from 1926 to 1936 decided to re-open. Her license application however was rejected on the grounds that there were already 13 groceries in this town. She had to fight her way through the District Government licensing authority, the Chamber of Commerce, the Provincial Governor, the Federal Ministry of Trade and Reconstruction, and finally the courts, before she could re-open her little grocery store. Such cases are not infrequent.

The cartels are reinforced by the strangle-hold of the banks over the economy. Technically the banks are nationalized, but as a matter of practice they are run by the same private interests that run the Chamber of Commerce. Unlike our own credit institutions, commercial and investment functions are carried on by the same bank. For instance, *Creditanstalt* not only grants small term working capital loans but owns 38 per cent of all share capital in textile firms, 30 per cent in electric, 20 per cent in beverages and 2 per cent in food. Through interlocking directorates and politics the men who run the banks are the same men who run the major industries. Anyone who fights the cartel system finds difficulty in getting supplies, his loans are called in (or never granted), his business tormented by government inspectors. During a critical period in 1951, when inflation pushed prices up 40 per cent many firms wanted to increase sales by cutting prices. But they were prevented from doing so by a well-placed word from their banks. The cartel-minded economy was not going to permit competition even in the face of a crisis. Thus a poor country, with low living standards, has both a high rate of profits and a low rate of capital investment. An American Embassy estimate placed profits at one out of every four dollars of national income. The country desperately needs more rationalization, lowering of prices and, better distribution of income; but in the restrictive semi-feudal atmosphere such things become difficult, if not impossible.



The Austrian example may be extreme, but it is by no means rare. The seeds of every new society are laid in the past, and the remnants of the old tend to linger on in the present. France is a good illustration.

We have been speaking in the broadest sense possible of "feudalism." Actually, even under the feudal system many changes *in the direction* of Capitalism were clearly visible. Feudal land tenure began to break down in many places before the national revolutions. In France before 1789 peasants actually had hereditary rights to land tenure. In Britain, with the enclosures, Capitalist private farming, rather than the communal farming of feudalism, began to emerge. Peasant revolts and the changes wrought by increased trade forced social innovations. In the latter days of feudalism the strongest feudal lords tended to centralize power and establish themselves as kings. This did not make for nationalism, but neither was it orthodox *localist* feudalism. The monarch invariably took onto himself the powers that formerly rested in guilds and city rules. His economic system, mercantilism, operated on the thesis that the government must intervene everywhere in the economy. The state codified laws on wages, prices, etc., thus continuing the system of *forced co-operation* between artisans or farmers or capitalists, rather than *dynamic competition*.

An English statute of artificers and apprentices in 1563 provided, for instance, that all able-bodied men must work on farms, unless specifically exempted; that hirings must be for one year and that casual labor was prohibited; that an employee needed a certificate of release to go from one employer to another; that wages were to be fixed by justices of the peace; and that there was to be a seven year apprenticeship. French mercantilism reached the point where every step of production was rigorously controlled. An edict of 1671 provided for 371 regulations on how to dye cloth so as to maintain the quality prescribed by the state. Under such a system industry and commerce might grow to a limited extent but it could not flourish. Furthermore the guild system tied a man to his craft and inhibited the spirit of competition. A man could not choose his own occupation, he needed the



assent of the ancient restrictive associations to practice his trade.

The tragedy of modern France is precisely that these hang-overs of rigidity have continued to this very day. The French Revolution of 1789 might have been expected to end once and for all the feudal spirit. It was probably the "deepest" revolution in all history up to that time; it broke decisively and sharply with the past. But France after 1789 went through two decades of devastating warfare which ended in the abysmal defeat of Napoleon's troops at Waterloo. The French people were tired and poor, in no mood to continue with the tasks of social change. The original fire was gone. The French Revolution, like most revolutions, after the first flush of radicalism, grew conservative. Napoleon in fact had restored some of the guilds in an effort to improve the quality of production and to regulate prices.

The French Revolution certainly was not in vain. But with the defeat of its armies it was not only halted militarily but socially as well. The Revolution had made considerable changes in French society, improved agriculture and eventually, after 1871, introduced a considerably amount of industry. But there has been a consistent thread of restrictiveness throughout this whole saga which inhibited the development of the nation appreciably, and which accounts for its persistent crisis in present times.

After the Revolution, land was taken from the nobility and divided amongst the peasants. The mere incentive of private ownership changed the whole physiognomy of agriculture. New crops such as beet sugar and potatoes, and new animal husbandry such as sheep-herding increased enormously the yield of the village. In the half century after 1789 wheat production increased by two-thirds, wine rose from 374 million gallons to 924 million, and the new potato crop multiplied 55 times—from five million to 275 million bushels. But it is significant that all this was accomplished without any new machinery, and that the population of the country grew very slowly.

Industrially, the French were tardy in adopting machinery. The first machines were introduced only about 1825, fully a half century after they had appeared in Britain. Even then



they were slow in gaining widespread acceptance. By 1851 three out of every five people were still in agriculture, and of the 25 per cent in manufacture fully three-quarters were in handicraft. The economy lacked the spirit of competition and freedom. As late as the post World War I period, only one-third of the nation was in industry, and French per capita investment in machinery was scarcely 40 per cent that of Germany's and only 27 per cent that of Britain. France remained a nation of farmers, shopkeepers, and handicraftsmen. She accumulated considerable sums of capital but large portions, perhaps one-fifth of it, were invested abroad, in Russia (before World War I) and in the colonies. Instead of enriching French industry such capital accumulation only helped foreign competitors. A measure of the havoc played by the restrictiveness of French economy is in her steel production. Even though she had far more iron ore than Germany, France produced only one-third as much steel and only slightly more than one third as much pig iron.

Thus despite the Revolution of 1789 much of the feudal and semi-feudal spirit remains to this day. Economic units, including the farm units, tend to be small, family affairs; a petty entrepreneur class of large dimensions is in fact one of the great political obstacles in the nation. By tradition and custom the small producer is protected. The *Conseil National Du Patronat Francais* (National Council of French Employers) has 880,000 members and is a pillar of restrictiveness. Prices are set at the level of the least efficient producer. An employer is relatively secure because he knows his product will sell at a price high enough to give him a profit no matter how inefficient he is. There is little incentive to invest capital to improve productivity. Consequently French capital has tended to flow overseas.

The tradition of protecting prices, keeping the social stratification intact, kills any incentive to change, to improve. A son of a petty official knows he will take his father's place, securely and permanently. A son of a Capitalist knows he will inherit his father's business and will keep his father's customers, and make approximately the same percentage of profits as his father. He knows too that the government will be unstable, subject to the pressures of three approximately



equal groups: the peasants who want nothing more than assurances that the prices of apples or grapes will be subsidized sufficiently; the middle classes who will expect protection from foreign competition and from prosecution for tax evasion; and the workers.

The motif of French society is far more static than it should be. The result is that a country which had half the population of Europe at the end of the 18th century, three times the number of Britain, is now only the same size as its ancient enemy. It continued to fall behind Britain, Germany and the United States, even though it far surpassed these countries originally; and even though in natural resources it was the richest country in Europe with the possible exception of Russia. It has more cultivable land per capita than any other nation; it has 181 tons of iron ore reserves per capita as against 122 for Britain and only 19 for Germany; and while it is poor in coal it is rich in many other resources. But it is impoverished socially. This is the fatal weakness of modern France. Social rigidity makes it impossible for France to keep up with Germany, America or Britain.

The lingering effects of the feudal spirit show up in Italy perhaps more clearly even than in France. Italy is a much poorer country in natural resources. It was unified as a nation only in the decade beginning with 1861, and it has consistently failed to resolve the land problem. This carryover plagues it incessantly.

Prior to 1861 Italy was divided into a number of separate and hostile states, dominated by Austria. Before the turn of the 19th century, Napoleon drove the Austrians out and brought the individual states as well as the Pope to submission. In the North he established a number of republics on the French model and if they had continued they might have shortened the travail of Italy considerably. But Napoleon was eventually defeated and the dream of Italian unification remained unfulfilled for five or six decades. In the interim Italian nationalism stirred and threatened but never quite succeeded. During the sweeping European revolutions of 1848, the Italians rose twice against Austria and established Republics in Rome and Venice, but once again Austrian feudal reaction carried the day. Finally beginning with 1859,



the tide began to turn. Cavour and his Sardinian army, aided by the French, defeated Austria and the road was open for complete unification. Italy emerged as a Capitalist nation and in the years that followed substantially revamped her economy, particularly in the North.

But the long thorny hand of feudalism was not shaken off. As Louis Fischer has pointed out: "Italian Capitalism has merely superimposed industrial techniques on a feudal mentality." Industry in the north has advanced but continues in the restrictive, rather than in the expansive, spirit. Agriculture in the south has remained substantially feudal. Land reform failed to materialize. Huge *latifundia*, big farms, which in ancient times were tilled by slave labor are now cultivated by permanent laborers or tenant farmers in a state of near-serfdom. Tenancy, both on a cash and a crop basis, is still widespread. In some sections the peasants still do personal service for the landowner, just as in feudal times. Fully 46 per cent of the people live off agriculture and many of these are using the same techniques and tools used in Roman times. Wooden plows or plows with a single short spike, which hardly reaches six inches below the surface, are still common. In some places peasants do not even possess such rudimentary instruments but use a hoe to turn the soil. Roads in the south are either poor or non-existent, and the towns and villages are isolated from each other just as in feudal times. The existence of a large absentee landlord class is a hothouse for reaction and social inactivity. This class has resisted not only land reform but other social change as well. Like the old Bourbons in our own American south it thwarts the development of a dynamic industry.

In the industrial north agriculture is far more advanced and thousands of factories there make Italy an important, though second-line Capitalist country. But the spirit of feudalism still exists here too. The economy has little incentive to rationalize. This is indicated by the fact that machinery per capita in Italy is only \$2.40, as against \$3.50 in France, \$8.75 in Germany and \$31.70 in the United States. Management prefers to restrict production and make a big profit per item rather than take its chance on mass production to earn a greater total profit. As in France there is a considerable class



of small entrepreneurs, tradesmen, craftsmen, and middlemen. Only 18 per cent of the Italian labor force is in industry, as against 35.7 per cent in Britain, 32.4 per cent in the Netherlands.

The country boasts some big factories but there is no underlying motif of dynamism. Through the *Istituto Riconstruzione Industriale* (I. R. I.) the state subsidizes inefficient production and keeps thousands of employees on the payroll when there is no work for them. Two companies control 84 per cent of the auto industry, thirteen companies control 86 per cent of the machine tool industry, two firms control 90 per cent of artificial textiles, and so it goes. Most of these monopolies follow the policy of producing a relatively small amount and charging high uncompetitive prices. From 1945 to 1948 Italy had a law on its books requiring factories to keep a full complement of workers whether needed or not. The law has since been repealed but the practice continues. Interest rates on credit for modernization of plant is ten or twelve per cent.

According to Lee Dayton, an American E C A official, "The Italian idea of a free enterprise is a cartel." I R I has formal stock control of between 25 per cent and 80 per cent of Italy's main industries. In the mechanical and engineering industries the state owns one-third of the medium and large plants. If it used these to spur production in the private, non-state, factories it would be doing the nation a good turn. Competition would force the private Capitalist to rationalize his antiquated equipment, to invest more in machinery. But the tradition of the past dictates that Italy take another course with controlled prices, cartels and subsidy through IRI of inefficient plants and industries. Masses of unskilled workers and members of the middle class are employed only by virtue of these subsidies, even when there is no work for them. Under a more fluid system they would be laid off because no business could remain competitive with so much redundant labor. Reduced labor costs, in the normal order of things, increase the sale of a commodity, stimulate mass production and investment in machinery, and sooner or later absorb the men laid off. Such a dynamic Capitalist system has its flaws but it works far better than the static Italian system. Italian



industry does not have to worry about competition or high labor costs. Its internal market is protected both by the state and the cartels. Price fixing is a normal procedure. High state tariffs and quotas keep foreign competitors out. A Fiat automobile used to be sold for twice as much in Italy as in other countries to which it was exported. Such key industries as the mechanical industry, which accounts for about a third of Italian production, operate usually at only fifty per cent of capacity.

The Italian economy, of course, has expanded since unification but it is still severely inhibited by the spirit of rigidity and restrictiveness carried over from feudalism. Except in the south feudal institutions are no longer a problem, but the feudal spirit still is. Thus there has developed in Italy a special type of industrialist, not concerned about increasing production or productivity, but with how to win favors in Rome. He bribes his way into government graces; he buys newspapers to influence public opinion; he spends his way into owning one or two members of parliament who will carry his political load; he courts favor in IRI; but he refuses to re-invest his profits into improved productive facilities. American ECA officials, who doled out Marshall Plan funds, noted that the government was more interested in balancing the budget and keeping taxes low than in stimulating production. It refused to use American funds for capital investment because the old rigid system precluded any real competition. Lee Dayton remarked bitterly that commodities such as shoes, that cost 1,000 lire to produce, were selling at 5,000. He wanted to know why. Accustomed to American competitive methods he found it hard to understand this pre-Capitalist morality that believed in regulating an industry to *preserve* the producers or sellers, rather than to force them to fight for competitive advantage.

Under a dynamic Capitalism, monopolies are also established, but competition is not eliminated. It is merely sublimated to a wider area. Thus, despite a steel monopoly and an aluminum monopoly in the United States, there is competition between the steel and aluminum industries as a whole. And despite the domination of the coal industry by a few big steel firms, there is competition between coal, fuel oil



and electricity, with each trying to gain a larger share of the national market and showing the consumer how to use electricity as a substitute for coal, or fuel oil as a substitute for electricity. This type of economy depends on volume, and on an impersonal customer who buys because the product is good and the price right.

But in Italy or France neither the customer nor the producer is volume conscious. The retail business depends not on value exclusively but on individual relations with the customer. The incentive, the drive for greater and better production is faint. Feudal and mercantile carryovers hold the countries back despite the national revolutions experienced in the 18th and 19th centuries. The social change hasn't been completed; and until it is the economic problems of countries like Italy, France, Austria, Greece, will never be resolved no matter how much money America pours into the state coffers.

Here we have a clue to one of America's major problems in Europe. After the war General Marshall conceived of a grand plan of economic aid to stabilize European economies. Economic stability he felt would bring political stability. To some extent the Plan succeeded in its objective, but in those countries with continuing feudal carryovers, the hope proved vain. Life itself showed that unless and until the social inhibitions to a dynamic economy were eliminated, no amount of money or aid could repair the damage.

For example, after the Marshall Plan was in operation for some time, American labor officials travelling in Europe complained that the funds in certain countries were not seeping down to the "grass roots." American money, they said, helped the employers earn more profits, but the working people were benefiting only sparsely. As a result of this criticism, two liberal senators, Senators Moody and Benton, introduced their now famous amendment to subsidize those European Capitalists who would improve productivity and share the benefits with their employees. The amount set aside for this purpose was \$100 million, a substantial sum. In four years it was expected that in France alone productivity would go up 25 per cent. But the project never got off the ground. American ECA officials found that employers were com-



pletely disinterested. They had no objection to being taught better "know-how," but they refused to share any benefits with the employees. Why should they? Their prices were guaranteed and their competitors were not likely to lower them. If any competitor got "ideas" the association of employers, CNPF, could easily discipline him. A shoe manufacturer, for example, buys his leather through the syndicate of his industry. Any time he decides to cut prices he finds himself unable to buy leather and his bank loans cut off. The industrialist confronted with the American plan to improve productivity and share it with his workers saw no benefit in it. Increased production might be an asset providing that wages did not go up with it. The employers were willing to introduce piece-work systems which might cut their unit production costs. But they categorically opposed signing contracts with labor unions, where their plants were unorganized, or sharing the benefits of improved production with their men.

French production, of course, rose during the Marshall Plan period. There was such a great need for rebuilding that industry was willing to use the capital from America to retool and supply elementary needs. After a while, pre-war production levels were outpaced by 25 per cent or 30 per cent. But the rigid economy of France grinds this progress to a halt, without solving her major problems, without overhauling her outmoded plant, without going into competition with German or American industry. In the political chambers, France rants against the new German specter; but in the economic arena her feudal carryovers prevent her from meeting Germany on the economic plane that counts. Germany continues to outdistance her old rival. And France's war-time victory, her colonies, her help from America, her privileged political position as one of the "Big Four," avail her nothing in face of this disparity.

The American approach may be to build European defense or NATO around France as the pivot, but the social reality of France, the feudal hangover, makes that impossible. Germany, not France, must become the center of all consideration on the continent because Germany has the least feudal carryovers in its economic system, is the most dynamic of the



Capitalist systems of Europe. I am not arguing for the re-arming of Germany or for a German alliance. I am merely noting at this point that the social realities must be a primary factor in our estimates of the world situation.

The fact is that the problem of feudalism goes beyond confines of underdeveloped areas. The evil pursues full-fledged Capitalist nations, in spirit. Until social change purifies these countries they cannot offer the kind of stable economies and stable political institutions on which a firm alliance can be forged. Nor can they be effective barriers against the tide of Communism. On the contrary, as in Italy or France, they become grist to the mill.



## Chapter 4

### THE HISTORICAL ASH CAN

Once it is conceded that social backwardness, rather than material poverty, is the barrier to progress, then one arrives at a totally different position on what our foreign policy, or the character of our armies, should be. Material poverty can be remedied merely by pumping money and supplies into an underdeveloped economy. But social backwardness can only be met by destroying one set of social institutions and erecting new ones. There is a vast gulf between these two concepts. If Country X is a weak ally because it lacks resources and funds, then all that is needed is to give or loan it some capital. We have no interest, or at least little interest, in its internal affairs or its social structure. But if Country X is a weak ally because it is plagued by outmoded social institutions, then the initial task is to sweep these institutions into the historical ash-can. Before gifts or loans can have any effect *they must enter an arena free from social inhibitions*. In this case our interest in the internal affairs of other nations becomes decisive. How we manifest our interest and how we apply our strategy under such circumstances is a difficult and varied problem. But our *interest* is certainly much broader than that of traditional diplomacy.

Perhaps this is none of our business. Perhaps we have no moral right to intervene in the internal affairs of other countries. But obviously, if we are to forge a stable alliance against Soviet penetration, we must know whether this or that country will stand up under pressure. Is it vulnerable to violent revolution? Does its regime have the support of the people? Can it ward off guerrilla attacks? Is its army a deceptive hulk or a true fighting force? Can it mobilize an industry to support its military forces as well as its civilian population? Or conversely, will war or economic crisis topple its tottering facade into the abyss? If it is being held back, what precisely is responsible for it? Having noted some of the unfortunate



effects of a lingering feudalism we must at least blueprint the goal to which the backward sections of our "free" world should aspire. We must establish a norm by which we can judge a healthy society.

We need criteria too to judge the status of Soviet health. Where is the weakness in the Russian orbit? What is its strength? What makes it attractive to socially weaker powers? And what is the vulnerable point in its armor? Analyzing the mechanism of social revolution, we can place both orbits in proper focus.

Generally speaking the ideal development for any society is one where:

A. Social change is continuous and completely without physical violence.

B. Living standards ceaselessly improve.

C. The democratic rights of the people are always protected and increased.

Put differently, the ideal development is one where the people peacefully press for social reform, for removal of social inhibitions to progress; and where the state peacefully responds to that pressure. Of all the countries which have evolved from feudalism to a higher social order, Denmark, as we have indicated, comes closest to this ideal development. Too often the state resists the pressure of the mass for change; it fights back and builds up those counter-pressures which result finally in physical revolt. That has been the case in most of the world. The peaceful social revolution of a Denmark is therefore an exception which is devoutly to be wished for elsewhere. If we are looking for a norm to which to aspire, such a peaceful and continuous development, possibly shortened in the time factor, should be our guide.

Winding back the reel of history it is obvious that this norm of social change, away from feudalism, has two distinct phases:

1. The destruction of inhibiting feudal institutions and feudal carry-overs. For our purposes we may call this the "negative phase."

2. The erection of new social and economic institutions: the "positive phase."

The two, of course, go on simultaneously and overlap. But



each has a separate function and must be studied separately.

The negative phase consists of abolishing the feudal land tenure, the guild system, private law, and in general all those institutions which restrict production and which offer no incentive to improve production. The positive phase consists of formulating a juridical structure based on equality, accumulation of capital, and other measures that will result in an expanded and equitable economy.

Naturally these tasks are not completed overnight. They usually take decades, sometimes even centuries. Nor is their course smooth or evenly-paced. Frequently a country makes some progress along the road, but soon pulls up short and remains in a state of suspended animation for many years. That is true today of Latin America, of countries like Turkey, Egypt, Iran, Indonesia and many others. Other societies move at the right tempo, maintaining a balance between all features of development; while still others move *too* rapidly and thereby lay the groundwork, as we shall see, for totalitarianism. The question of tempo and balance is all-important.

No society stands entirely still, even though it is a "static" one. In typical feudal countries of Europe, for instance, we have noted the growth of burgher towns with commerce, manufacture, money and trade. These were dynamic features in what was otherwise a static society. Within a *basically* static framework dynamic irritants develop; they force modifications of the old society; they change the relationship of forces. Despite its self-sufficient and localist character, feudalism eventually expanded its horizons to include a centralized authoritarian regime and considerable trade and commerce with the outside world. Side by side with the old social structure, therefore, a new, Capitalist structure, was developing. That new structure was unfortunately hindered, hampered, repressed, inhibited because the political power and the juridical structure remained in the hands of the atavistic class, the feudal lords. When the French mercantilist, Colbert, sought to encourage manufacture he found the feudal barons unwilling to agree to a customs union within France that would hasten a new era. Despite the existence of a considerable amount of private individual property, private property as an institution was not yet legalized or sacro-



sanct. Despite a certain freedom to trade, within limits, the right to that freedom was not yet guaranteed as a social institution, it was merely something tolerated by the then existing private law. It was something in contradiction to it, opposed to it, but yet tolerated, much as a human body may "tolerate" a disease for a long period, only to succumb when it is so weak that it becomes ill or dies.

Thus within every society there are always elements of the past, present and future. In India today, for instance, one can find tribal societies in the backward areas, a feudal land tenure covering most of the villages and most of the people, as well as Capitalist manufacturing firms like Tata and socialist state-owned industries like the railroads. All are jumbled together, living side by side. A revolution occurs at that moment when the two systems living together become fairly equal in strength, one going down, the other up, and the old system is no longer capable of imposing its will.

Feudalism began in Europe when the old Roman slave system was in disintegration, beset by one revolt after another, by demoralization within its leading ranks, by high living and a decay of morality. The English and French Revolutions of 1688 and 1789 respectively occurred because the middle classes had already become so powerful they could no longer live within the restricted legal framework of feudal law and because the feudal classes were so weakened by corruption and moral decline that they could not defend themselves. In Japan during the *Meiji* Restoration of 1868 the leading feudal elements themselves recognized that they were finished and withdrew from power so that a new industrial society could be built. In Hungary after World War I the bourgeois and feudal classes both were so battered and disorganized that their own government released the Communist Bela Kun from jail to become the head of a short-lived Soviet regime. The violence involved in a revolution is only a by-product. If the old classes are still capable of resistance there is violence; if they are not there is no violence. In Japan there was practically none, in France in 1789 there was considerable bloodshed.

The seizure of state power by revolutionaries merely signifies that an equilibrium between two social systems, one



growing stronger and the other growing weaker, has been resolved. It is only one political act of the social revolution, part of the process of destroying the old order. But it is not in itself a cure for the ailments of feudalism, nor is it necessarily even an indication that the feudal structure is completely obliterated. Two other factors are involved:

First, the *depth* of the revolution at its outset. How much of the old order is changed in that one moment when power is shifted from one class to another? How much mass resentment is given play against repressive and hated old institutions? Every revolution tends to move from right to left, and, usually, to recoil somewhat. The English Revolution under Cromwell was a rather restrained affair. To the left of Cromwell were the levellers, who insisted on an egalitarian society. But the revolution was essentially a middle class affair, with the peasants playing only a minor role and receiving only small benefits. The levellers never really caught hold and the pendulum swung back to Cromwell without any difficulty. In our own American Revolution there were those who felt that the rebellion against England should be limited to reforms within the British empire and under the crown; and there were those who were for a complete rupture and a considerable degree of egalitarianism: Paine, Patrick Henry and the Adamses. Finally, after the original leftism, the pendulum swung to a different type of moderate, Alexander Hamilton. The French Revolution shifted leftward from the neo-monarchists, to the Girondins, to the Jacobins, almost to Marat, St. Just, and even Babeuf, then it recoiled rightward to Carnot and Napoleon. Each one of these shifts meant something as far as legal institutions were concerned. Revolutions seldom are subverted back to the old order, no matter how many shifts there are. But each shift determines how much of the old baggage, the carryovers, will be continued under the new system. A change occurs in the relationship of forces between old and new, but the drift away may be small or it may be extensive. The French Revolution under Robespierre brushed aside an enormous portion of the old order; under Napoleon quite a bit was restored.

The second factor that affects a revolution is its *continuity*. How long does it continue after seizure of state power? The



English Revolution was fairly deep because the old guild system and much of the manorial system on the land had already been abolished under feudalism. It was also extensive because it was continued later as a result of the abolition of the corn laws and as a result of the industrial revolution. In total this made for a very marked change, with only a few of the feudal carryovers hampering the new structure. The French Revolution, on the other hand, was deep at its outset but relapsed considerably under Napoleon. It attempted to continue the revolution in new uprisings in 1830, 1848, and 1871, but made only small progress each time. For this reason it is encumbered today with considerable feudal carryovers. The American Revolution of 1776 was supplemented by the Civil War of 1861 which gave it a depth not achieved elsewhere.

Each revolution has its own momentum, its own depth, its own result. Everything depends on the two processes that go on simultaneously: how much of the old institutions are torn down, how much of the new are built up. Before a revolution can make progress and mean something to the people or class who made it, it must destroy enough of the old structure for the new to gain a foothold and a momentum. Where it permits too much of the old to remain, it restricts and inhibits the new, pre-empting progress or slowing it to a snail's pace.

We are living today in the greatest revolutionary period of all history. During and after World War I a series of very *deep* revolutions took place throughout Europe. Only one, the Russian, was able to survive, but it swept aside the feudal structure and the feudal spirit more comprehensively than at any time in history. Its fatal weakness, as we shall see, lay not in that phase of its development, but in its positive phase, in its over-dynamism. After World War II we witnessed a far wider revolution, covering most of Asia. But it lacked the depth of the Russian Revolution. It only partially destroyed the feudal structure; it made only a limited beginning in building a dynamic economy. The old classes are on the run in the Orient and in parts of Africa, but their spirit still permeates the new society. The post-World War II revolution lacks depth; it also lacks capital to make the positive phase



fruitful. But even if it had capital it could make little headway unless it first deepened enough to destroy a much bigger segment of the old feudal order than has been destroyed up to now.

Turkey is perhaps a typical example of what happens when a nation fails to complete the negative phase of the national revolution. Despite an auspicious beginning for five or ten years after 1919, Turkey has had only a "revolution from the top." Without widespread mass participation the revolution lacked both depth and continuity; though it consummated a number of important changes, it remains in a state of suspended animation.

By the time of World War I, the Ottoman empire had been chipped away and corrupted from within to the point where it needed only a slight push to finish it. Egypt, Greece, the Balkans had broken the imperial yoke before the war, and when Turkey joined the German camp of the Great Conflict, Britain and France utilized the opportunity to methodically whittle away Arabia and other segments of the empire. By the war's end the Sultanate was in complete rout, limited only to Turkey proper and destined to lose even part of that. To continue at all, it had to become a vassal for Britain and the Allies; it had to yield to Greek occupation of Smyrna and to other indignities.

But a group of officers under Kemal Ataturk molded a small army together, routed the Greeks, as well as the British-dominated Sultan, and proceeded with their "revolution from the top." The masses of peasants and city folk had cheered the national efforts of Ataturk's militia. In Moscow, seat of Turkey's traditional enemy, Lenin hailed the Turkish revolution and offered it sustenance. Nonetheless the revolution sputtered and fussed, made small, often only symbolic changes, but failed to cut cleanly the umbilical cord with feudalism.

Some of Ataturk's moves were drastic and impressive; they made for stimulating propaganda in travel books. The Turkish leader separated church from state, legislated civil, criminal and commercial legal codes patterned after the West, placed education in the hands of the state, and introduced the Latin alphabet. By 1925-26 the fez was abolished, the



international clock and calendar adopted, marriage, divorce and inheritance were freed from Islamic law, and theoretically at least Turkish women had won equality with men.

But none of this came to grips with the real reservoir of reaction in the villages. Seventy-five per cent of Turkey's 21 million people even today live in its 35,000 villages. Most are landless peasants who must rent from a landlord at very high rates and must borrow from a money-lender at fantastic interest charges. So much of the country is as yet unconnected by roads and railways that at least 10 per cent of the available surplus produce never comes to market. Literacy is only 20 per cent, annual per capita income only \$128. The peasant, of course, has a far lower standard of living than even that meagre figure. He still uses the tools of his forefathers, still feels little incentive to alter his techniques. The landlord class dominates his life today as it did yesterday. Its power is only slightly impaired, but its spirit stalks the country so that whatever change is made is halting, begrudging, corrupted and restrictive.

A mission of the International Bank for Reconstruction and Development noted in 1951 that: "The Social structure and the attitudes and habits of the people evolved over centuries constitutes an intangible but powerful barrier to economic development which lingers to this day . . .".

That cloud overhangs every change. By way of example, consider some changes in agriculture. In 1945 the state legislated some "land reform." But it was a clipped, abortive land reform. Besides limiting the acreage per farmer to 1200 it did little else. (Even that provision we may note is evaded wholesale.) A few years later when Marshall aid was forthcoming, a significant development took place in the small but fertile Adana region. The United States supplied a few thousand tractors and the large landowners themselves bought approximately 30,000 more. Capitalist agrarian techniques were introduced and farm production increased. Cotton production leaped by six times, production of wheat and cereals doubled. Two hundred millionaire farmers emerged in Adana. But for tens of thousands of peasants and laborers the tractors were an unmitigated tragedy. Thrown off the land, or tossed out of jobs, these men and their families found no



haven. If it were not for the generous family hospitality that prevails between cousins in the Near East, many of them would have starved. The Marshall Plan soon found itself formulating plans for resettling a half million families, part of whom were the victims of technological unemployment in Adana.

Introduction of machinery obviously must displace peasants, but in a normal Capitalist development the peasants find their way to the cities and become workers. In Turkey today that is impossible. There is no industry to go to. The state's efforts to stimulate private investment during the first decade after Ataturk, failed. A 1927 law to aid industry exempted new businesses from many taxes, gave them gifts of land, reduced tariffs for construction material, offered discounts on purchase of government factory products, etc. But none of this could overcome the intrinsic fear of the merchant or landlord to invest in factories. Finally the state decided to fashion its own plant. Ataturk and his friend Celal Bayar wanted to build a modern army, and to do that they needed a modern industry. If private capital would not build it, the state would have to do the job. This program, (called "Etatism," Statism) became the guiding motif for Turkey. Spurred by the second World War industrial development has shown some progress. Between 1935 and 1947 electric generating capacity doubled, and by 1954 it was expected to double again. Production of coal steadily expanded and a sizeable merchant fleet was built. All told the state owned 70 per cent of industry: half of the textile mills, 90 per cent of steel, 28 per cent of cement, all of heavy chemical, 30 per cent of shoes, and all of sugar and alcohol.

But "Etatism" does not lend itself to the same quiet efficiency as, say, the American Tennessee Valley Authority. TVA is more than competitive for private industry. But the Turkish state industry is inefficient and shot through with bureaucracy. Engineers and managers are appointed on the basis of political influence rather than ability, and workers are assigned to jobs based on whom they know rather than on how they work. Neither can be easily removed, just as the state bureaucracy itself is not amenable to the pressures of democracy.



"Etatism" gives little impetus to growth. Its industrialization was not devised as a means of establishing Capitalism or raising living standards, but only as a military expedient. The results are obvious. In planning their steel mills, for instance, the government took into account only military considerations, not industrial ones. It set up the Karabuk mill far removed from where it could be shelled by sea. But it was also hundreds of kilometers from the sources of coal and iron ore, thus making the whole operation most expensive. Despite a capacity of 300,000 tons yearly, it produces only 90,000.

As an indication of "Etatism's" inefficiency we may consider the cement factory owned by the government, which prior to the war used 165 workers to produce 350 tons a day; and in 1953, in private hands, was producing 450 tons with only 15 workers. Similar examples in paper and other industries show the weakness of feudal paternalism. In themselves they indicate that private enterprise can be more effective than "Etatism." Unfortunately there is no incentive for much private enterprise. The merchant class, which accounts for almost a third of the national income, has surplus funds but prefers to send it out of the country rather than invest it under a government where everything is controlled from the top.

The changes in agriculture in Adana, good in themselves, thus end in social tragedy. Neither the state nor private enterprise is willing to invest in industry on a grand scale. Neither the state nor the landlord class is willing to produce genuine land reform. The result is that the displaced peasants cannot go to the city to find work, nor can they look to the rural area for their own plots of land. They remain, like the social system itself, in a state of suspended animation. In turn, as the mission of the International Bank points out, "the low level of real income severely limits the amount of resources available for investment." The impoverished peasantry, on the one hand offers no mass market to stimulate production; on the other hand creates little surplus to invest in the productive process.

Since the negative phase of the Turkish revolution is hardly begun, the positive phase cannot take firm root either.



Until 1950 there had not been a single free election in Turkey; only one political party, the Republican People's Party existed. But in 1950, Celal Bayar's Democratic Party, organized four years earlier, finally contested for power. And, as might have been expected, it won. The people were so tired of almost three decades of dictatorship that they voted the new party in by almost six to one.

The mere existence of this second movement is, of course, another chip in the feudal armor. But unhappily the chip is, again, infinitesimal. The avowed policy of the Democrats is liberalism, but the actual practice has continued authoritarian, paternalistic and semi-feudal. Everything continues to be controlled from the top. A soils production office establishes prices of cereals and approves purchases. Even the 30 per cent of industry that is presumably private is state-dominated. Employers' organizations and export organizations are controlled by the government. The development bank, which loans money to prospective industrial investors, is technically private, but the government-controlled central bank owns half its stock and the government must approve its board of directors. Unions are tolerated but they have neither the right to strike nor are they allowed to federate into a national organization. The few unions that function are either powerless affairs, or else controlled by the police who have the right to sit in on meetings. Labor relations are rigid and paternalistic. Workers or civil servants cannot be fired except after a complicated process of government procedure. Minimum and maximum wages in government factories are set by the state, and since it dominates so much of the industrial economy those rates inevitably become the prevailing ones throughout the country.

State favoritism remains today a disturbing feature of economic life, almost as great as it was under the Ottomans. A Constitution has been written and in many respects its provisions are democratic. But this is only a facade, the essence is still private, rather than public, law. The state bureaucrat, the landlord and his village functionaries still make the important decisions. There is no Supreme Court in Turkey to pass on constitutional questions, no separation of powers between the executive and the judicial. Judges are appointed



by the state, and obviously beholden to it. Thus, since the judicial, legislative and executive are all controlled by one small group of families, the state continues as a semi-police dictatorship, only slightly lessened by recent pressures. How little things have really changed, is illustrated by the incident in 1953 when the government raided the headquarters of its shadow opposition, the Republican People's Party, and confiscated its property.

The authoritarian spirit predominates everywhere. The tax load is light on the rich, heavy on workers and salaried employees. Landowners, including the 200 new millionaires from Adana, are exempt from taxes entirely. Education is based on "strict subservience" of students to teachers, and even in college emphasizes memorizing and formal studies rather than true exercise of initiative. These graduates become the bureaucrats, and through them the rigid bureaucratic *system* continues.

Turkey's "revolution from the top" saved the country from British domination. It buried beyond redemption the Ottoman Sultanate. It introduced innumerable small breaches in the feudal dyke. But it did not open the floodgates wide enough. For three decades therefore it has been unable to move to the next historical stage, industrialism. Turkey remains poor, ignorant, undemocratic and steeped in prejudice. The majority of the population is on the land. Wages are abnormally low, even lower than in Greece or Lebanon. The incidence of disease is fabulous; in Istanbul alone almost two out of every three insured workers suffer from tuberculosis. Even worse, much of the aid Turkey has received from America has been dissipated through rigid "Etatist" and paternalistic state control. Even a foundation for a better tomorrow has not been laid. The dead hand of the old empire remains much in evidence despite Ataturk's revolution.

A large section of the underdeveloped world has unfortunately followed the Turkish pattern. A wave of social violence makes important though limited changes; the process then stops and is often followed by an undertow that withdraws many of the reforms. Finally, later, when pressures for change build up again, there is a new wave of social violence. The cycle seems to be endless because the pressures beneath



the surface are persistent. Thus the "little" revolutions and counter-revolutions that occur so frequently in Latin America or the Near East are all important symbols of social frustration. They are the first stages of social revolution which seldom gain depth and usually lack continuity. Sometimes this lack of depth is the result of poor leadership, the absence of enough internal stimulus, mass pressure. Other times it is the result of outside interference by the big imperial powers.

Iran is one example of how *external* forces have kept its revolution at low ebb.

Until the turn of the century Iran was definitely a Russian satellite, but in 1901 a British citizen secured a profitable oil concession and the race for control was on. This conflict coincided with an internal dispute between liberal nationalists and the monarchy. The country was in turmoil. By 1906 it was in revolution, with the nationalists demanding a democratic constitution and the British pretending to be their friends. They did so because Persia was under the Czarist heel, and this was an opportunity for London to upset the established applecart. A constitution was duly promulgated and the *forms* of democracy such as elections and a parliament (Majlis) exist to this day. But the *essence* of democracy was subverted almost from the outset. The British subsidized feudal lords with guns and money. They granted one, Sardar Assad, a lifelong commission on some of their oil holdings. And with their new oil revenues the British were able to buy officials, including the feudal members of parliament, just like sacks of potatoes. One Iranian named Fatemi, who dominated the government, was a British puppet for fourteen or fifteen years.

During World War I the country was temporarily occupied, but afterwards the spurrings of nationalism manifested themselves again. The Russian Revolution (Russia and Iran have a common frontier of 1,200 miles) stirred Iran just as it stirred Turkey and other underdeveloped countries. The first unions were formed, a big strike broke out in the oil fields, other strikes and demonstrations shook society to its roots. Faced with a danger to its oil production, the British at this point imposed Reza Shah, a military leader and the



father of the present Shah, as the autocratic ruler of the country.

Reza Shah quickly broke the strikes, killed many nationalists, imprisoned others and ruled as an absolute dictator until 1943. Periodically he went through the motions of opposing the British, but it was all a fight among friends with the Shah demanding a bigger slice of the common booty. The Shah ruled with an iron hand and centralized the state administration. All money from the oil went directly into his own coffers, to be spent by him for his army, affairs of state, and personal requirements. Although the British could point to minor changes under Reza Shah, such as removal of the veil from women and the outlawing of such religious practices as beating one's self with chains, the total effect was to buttress feudalism. The Shah himself expropriated many feudal lords, and stole about 6,000 villages, but he did not give these lands to the peasants; he merely operated them as his own feudal baronies.

Reza Shah came to an inglorious end finally when he misread signposts of World War II. After the fall of France he was convinced that Germany would win. It was time, he felt, to make overtures to the Nazis. The British and Soviets, when they learned of this, jointly occupied the country in 1941, the north going to the Kremlin, the south to Britain, and Teheran jointly administered.

For the British this was merely a war-time expediency; afterwards they expected to leave the country and all would return to normal. But the Stalinists planted much deeper seeds. Both nations exploited the Iranian people, but the Russians were evidently more restrained. Outside of taking a few thousand head of cattle and other items, they behaved moderately well. The strain of occupation, however, affected the country adversely. War-time prices jumped by 1100 per cent and conditions deteriorated to the starvation level. Under such economic circumstances, with Reza Shah removed, and with the Red Army on the spot, the Stalinists were able to fill the political vacuum. In 1942 they organized the Masses Party, *Tudeh*, and in the next three or four years this movement grew and sank deep fertile roots. Unlike traditional parties *Tudeh* was both a political force and a mass move-



ment. One of its sections operated in the political arena, other sections functioned as unions and as cultural groups. It appealed not to Communism but to militant nationalism. It organized strikes, agitated the peasants not to pay rents and to demand land reform. In Azerbaijan Soviet troops immobilized the Persian army while a Communist leader named Pishevari took power. Though his government lasted only from late 1945 to December 1946, it introduced a number of reforms, which, in turn, acted as "propaganda of the deed" for the rest of Persia. Pishevari and his front organization, the Democratic Party, reduced land rent, divided among the peasants estates of absentee owners, built schools and even two colleges and established a health clinic. None of this was startling in itself, but it was in sharp contrast to what the pro-British forces were doing.

By the time the British and then the Russians, under American pressure, withdrew from Iran the fires of nationalism could hardly be quenched. In time Dr. Mohammed Mossadegh fostered this fire and seized the British oil empire at Abadan. Undoubtedly this had the support of almost everyone in the country. British propaganda to the contrary, the Westerners had done nothing for the nation except to continue its backwardness. It is said that a century ago, there were twice or three times as many people in Iran as today. Much of the land has remained neglected or become arid. The British boasted about homes for workers in their oil fields, but closer examination reveals that most of these were for executives and white collar workers. A Belgian government official who made a survey of the area reported that "the majority of its workers are still living under conditions inferior to those provided for the animals." In Abadan itself a clear-cut class system prevailed. The lower classes were restricted to their own stores and had to ride shabbier buses. Most of them lived in primitive mud huts, not in the efficient houses so often advertised.

With all the oil money and the foreign valuta that remained in the country each year (about \$100 milion at its height) the nation remained backward beyond belief. Eighty per cent of its population is still agrarian, almost one-quarter still live on a tribal level. Only one-tenth of the available land is



cultivated. According to a leading Point Four official, nine-tenths of the peasants live at a mere subsistence level with no buying capacity at all; credit costs run as high as 200 per cent per year. In Teheran water runs in open *jubes* along the streets, and is used not only for washing and toilet purposes but for drinking. Elsewhere even this "luxury" is absent. Of every 1,000 births American sources estimate that hundreds of children die. Trachoma covers 50 per cent of the population, other diseases are equally prevalent. British domination has done little for the country, so the people in the post-World War II period were ready and anxious for social change.

The man who was entrusted with this task, Dr. Mossadegh, has been pictured in the western press as a cranky, fainting, irresponsible old man. This in itself is a commentary on our failure to think in social terms. I personally met Dr. Mossadegh in 1953 and had a long talk with him. Although emotional, he impressed me as a sincere, moderate old man, extremely sharp and capable. This is how he has impressed almost everyone who has spoken to him. American Ambassador Loy Henderson and his staff had far more respect for this unaffiliated nationalist leader than the American press pretended. His fainting spells and his bedroom office were the result, not of cantakerousness, but of an ear defect which made him lose his balance.

Having ousted the British from the country (their Embassy was closed and their refinery offices taken over), Mossadegh was confronted with a formidable problem. Whether he had thought the whole thing out in detail and whether he was militant enough to carry out a consistent program is not entirely clear. But the task itself was of monumental proportions. The immediate urgent need was to build a non-feudal agriculture and to destroy the landlord system so that the nation might provide additional supplies for export. Mossadegh actually decreed a reduction of rent by 20 per cent and the establishment of democratic village councils to take over some of the powers of the feudal classes. But these remained dead letters because the state had no power to enforce them. Its army and police force (as subsequent events proved) were strongly infiltrated by feudal elements. With the nation



tottering constantly on the brink of civil war these instruments of force could not be used to advance social changes in the villages. Furthermore the lack of roads and communication would have made this difficult in any circumstance.

Another alternative was to appeal to the peasants, over the heads of the feudal barons, to take direct action. The villages already were hotbeds of revolt. At least a dozen landlords had been killed by the peasants in 1952. Point Four officials pointed out that approximately one-third of the villages were landlordless because the aristocracy was afraid of the ire of their own tenants and did not dare visit their own fields. *Ghanats* (underground water canals) and other irrigation had been seriously neglected as a result of this, and in turn aggravated the situation. Mossadeqh could easily have stimulated the peasants to take the land. But since Tudeh was strong in the villages this would have virtually placed the country in Communist hands. That, Mossadeqh did not want. He balanced himself instead between the Communists and other forces for more than two years, always hoping that he could work out a *modus vivendi* on the oil fields which would make possible more concerted action towards non-Communist, non-Russian, nationalism.

Mossadeqh was in a position where he could only execute a delaying action. If he could sell 8 million tons of oil he could gain enough foreign valuta to continue with the 1949 seven-year plan. That plan would have laid roads, reclaimed many thousand acres of land, electrified the country and built dams. But it could not get started unless the country had either more foreign valuta or more surplus products within the country. The latter possibility was ruled out because of internal tension; the former because the British, with American aid, were able to successfully institute a world boycott of Iranian oil. American authorities, no doubt under the influence of its Saudi Arabian oil company, Aramco, were fearful lest the example of nationalism expelling a major producer in Iran would catch on and spread to Saudi Arabia, Kuwait, Bahrein, Iraq. Hence the united front to defend the British "rights."

Mossadeqh was willing to indemnify Britain for its physical plant in Iran, but he refused to pay them for any profits they



might have lost in the fifty or sixty years that their lease still had to run. For political reasons he also refused to arbitrate the issue at the World Court because that would have been considered by the Iranian nationalists as capitulation to a British-controlled white man's court. The result was that he lacked the oil revenues and was unable to break the feudal land tenure.

When he decided eventually on more resolute action to smash the conspiring feudal elements around the Shah he faced a dilemma from which he could not emerge victorious. On the one side was the Shah, who had given back some of the lands stolen by his father, but who withal was a creature of the feudal aristocracy. On the other side was Tudeh. In the middle were a host of little parties, Maleki's third force, the Iranian Party, the religious socialists, etc, but all of them were tiny in comparison to the other two forces. When Mossadegh expelled the Shah he was greeted with large demonstrations in his own favor by Tudeh. But for him this represented the equal danger that Tudeh might seize power, or become strong enough to make him its vassal. He therefore called on the army to quell the demonstrations of his "own" supporters. In the turmoil the army switched sides and not only broke Tudeh, but Mossadegh himself. The national revolution was again set back and feudalism received a new lease on life. In the process of defending its oil empires, the West had found itself incapable of working with a moderate, anti-Communist, nationalist.

At the time General Zahedi and the Shah overthrew Mossadegh it was generally rumored that the American Embassy had played a role in the counter-revolution. Subsequently Richard and Gladys Harkness wrote a series of articles for the *Saturday Evening Post*, with the evident blessings of the Central Intelligence Agency, which admitted that the United States had been directly responsible for the overthrow of Mossadegh. The article named names and details, and left little doubt that the whole affair was of American inspiration.

The Turkish revolution, we have noted, marked time primarily because of internal weakness, because of the "revolution from the top." The Iranian revolution, on the other hand, was held in check from without. It was confronted with two



equally undesirable external pressures: imperialism and Moscow's Communism. For the moment, therefore, it succumbs to imperialist, oil company, pressure. At some time in the near future the tide may turn again and a new nationalist movement may threaten the feudal structure again.

But we may note, parenthetically, that the West constantly isolates itself from its potential friends by precisely this support of feudalism; the next time the national revolution raises its head in Iran, its people will have less reason to look to Washington than to Moscow. Until the Mossadegh debacle, the United States was the most popular country to the Iranians. The United States helped Iranian education considerably and apparently selflessly. We had never intervened into Iranian affairs to harm the people. We were generally considered non-imperialist or even anti-imperialist. But in the middle of the anti-British crusade, the Iranians began to couple America with the hated British. More and more they stated that the United States, which had completed its own national democratic revolution, stood as an obstacle to the same type of revolution in Iran.

The suspended animation of the Turkish revolution is due mostly to internal factors, that of Iran to external factors. Egypt is an example of a combination of both.

Britain, as we have indicated, injected itself into Egyptian sovereignty in the 1880's. In 1919 the nationalist WAFD rebelled against absolutism and British rule. Nominal independence was achieved, schooling improved somewhat and a constitution was drafted. But the British Goliath was not by-passed entirely. Soon it fashioned a new four-cornered oligarchy composed of monarch, pashas, the nascent industrial class and itself. It forcibly occupied the customs offices, caused the removal of refractory prime ministers and abrogated the Constitution. With slight changes everything was "in order" again; feudalism was only slightly modified.

During the post-World War II period, demand for Egypt's major export, cotton, skyrocketed prices and covered the nation with a superficial prosperity. But when world demand for cotton collapsed a few years later Egypt was in a serious crisis. The pasha-led government, in collusion with the king, circumvented this tragedy by buying up the pasha's cotton



for 30 per cent to 40 per cent above world prices. The state took the loss, the rich took the booty, and the poor fellaheen footed the bill. As the cost of living rose and hunger increased, tension mounted. A socialist paper, *Ishtrakia*, which had a weekly circulation of 1,000 rose to 70,000 because of its nationalist attacks against the monarchy. In some areas peasants began to seize land; students demonstrated against the king.

At this point it was inevitable that nationalism would again arise strong. In July 1952 the only unified force in the nation, the army, seized the reins of government. Why the army took the lead is difficult to say. Perhaps it was because most of the soldiers were sons of peasants who were brutally squeezed by the pasha class, and the army had to take action to quell the social uneasiness in its echelons. Perhaps it was the result of the defeat by Israeli troops. Perhaps it was a combination of both. But the Naguib-Nasser revolution undoubtedly had the support of 90 per cent of the population; the old order was so unpopular and the social heritage of British rule so weighty that any change was bound to have widespread approval.

As one of its first steps the new regime proposed a land reform program that would distribute 700,000 to 1,200,000 acres of land (of a total of 6 million) to the peasantry. With Point Four help, blueprints were worked out for reclaiming an additional three million acres over a ten year period. To make all of this fertile and to assure electricity for an expanding industry, the government laid plans for a new dam south of Aswan that would have thirty times the capacity of the older dam. The new dam, it was expected, would greatly widen the narrow strip of fertile land, only a few kilometers wide, on either side of the Nile, which is the core of the economy. Animal husbandry, education and industrialization were all part of a comprehensive program of economic improvement.

In the political sphere Naguib was frank enough to admit that the country was not democratic as yet, but he and Nasser pointed to the fact that the *formal* election system under Farouk was in fact a real dictatorship. The old political parties were farces, controlled by rich pashas who usually lined



up their peasants at the polls and told them how to vote. Now the new regime proposed that in each village and town, the rank and file elect its own representatives and from here pyramid district and area bodies up to the national level. While this cannot be called a satisfactory form of democracy it can hardly be scored as worse than the past.

On paper the government's program appeared substantial. But it was difficult to implement it. In part this was due to the external pressure of Britain, and its links in Egyptian politics which were not destroyed completely. For the rest it resulted from the conflicting forces within the Naguib-Nasser ranks. As a whole this force had cut free of the pashas; the land tenure system now stood a better chance of resolution than at any time in the past. But the nascent Capitalist class of Egypt was so intoxicated with the lure of bigger profits that social change could wait. They did not want the pashas to return to undiluted power, but neither did they want to contend with new political rivals amongst the working class and peasantry. They had to keep the tempo of revolution moderate so that their proposed new partners, the foreign companies, might be lured to Egyptian shores without fear of labor unions, radicals or revolutionaries. Thus Egypt remained little changed. Land reform and industrialization remained far behind schedule. Labor unions were still without any real rights; the civil bureaucracy was not yet purged; the structure of the village not yet touched. Naguib and Nasser's program remained on paper.

Colonel Gamel Abdel Nasser, co-leader of the Egyptian coup, portrayed the dilemma of social revolution quite poignantly on the first anniversary of his accession to power. After the uprising of the army officers against Farouk in July 1952, Nasser, their leader, had expected an easy ascent towards economic development and social justice.

"I had imagined," he says, "that the whole nation was ready and prepared, waiting for nothing but a vanguard to lead the charge against the battlements, whereupon it would fall in . . . for the sacred advance toward the great objective. The vanguard performed its task and charged the battlements of tyranny. It threw out Farouk and then paused, waiting for the sacred advance toward the great objective. How long it



had to wait! True, crowds came; there was no end of them. But how far the reality from the dream! The masses that came were disunited and divided groups of stragglers . . .

"We are going through two revolutions, not merely one. Every people on earth goes through two revolutions—a political revolution by which it wrests the right to govern itself from the hand of tyranny or from the army stationed upon its soil against its will, and a social revolution which involves the conflict of the classes and which settles down when justice is secured to the inhabitants.

"The political revolution, to be successful, must attain the objective of uniting all the elements of the nation, instilling the idea of self-abnegation for the sake of the country as a whole. But the social revolution shakes values and loosens principles, and sets the citizenry as individuals and as classes to fighting each other. It gives free reign to corruption, doubt, hatred and egotism."

These words of a revolutionary leader give some estimate of the problem. The seizure of state power by a revolutionary force is in itself not the end, only the beginning. After that the various forces in society, various classes and individuals, find themselves at loggerheads as to how to proceed. Both Gandhi and Nasser have noted this phenomenon. Following their line of reasoning, the important thing seems to be how much the various forces that fight for independence or against tyranny are willing to fight on for a better world. A native industrialist may wish for independence from Britain so that he himself may have political power, but he does not on that account wish to see a thorough transformation of his society. After victory, conservative elements like the landlords, the old civil servant class, and many other forces slow down progress and insist on continuing the old structure with only modifications.

Nasser notes ruefully: "We set about seeking the views of leaders of opinion and the experience of those who were experienced. Every man we questioned had nothing to recommend except to kill someone else. Every idea we listened to was nothing but an attack on some other idea. If we had gone along with everything we heard, we would have killed off all the people and turned down every idea."



Every revolution is made by an alliance of classes and groups. In India for instance that alliance merged within the Congress Party. Congress was an admixture of native Capitalists, peasant leaders, Socialists, for a time Communists, trade unionists and unaffiliated nationalist intelligentsia. While the British were in India this conglomeration could focus its united power against the single enemy; but once the British left, the grand alliance was bound to splinter because too many diverse interests were involved. Gandhi in his remarkable wisdom was able to foresee this and proposed, prior to his death, that Congress be dissolved and new parties formed.

Egypt too witnessed the unification of most native segments against imperialism. But now, since the ouster of Farouk, the schisms within the new government threaten to immobilize its advance. The classes that group themselves around the Nasser regime are rent with dissension. Each has a different program, each cancels out the other. The Capitalist section, which conceivably should be working for land reform and intense industrialization, does not have confidence in itself, does not feel it can compete successfully on the world market. Consequently it has taken the narrow approach of limiting the revolution so that it can form an alliance with foreign capital. The Egyptian Capitalist class, more firmly entrenched today than yesterday, in effect says to British and American Capitalists: "Come to Egypt, invest your capital here. We will form a partnership with you whereby you put up most of the funds and we 'put up' the political influence which guarantees your investment."

The philosophy of the native employers is not to invest huge sums to improve agriculture, raise consumer purchasing power, and thus produce the type of mass market which will stimulate large scale production. No, on the contrary, native Capitalism prefers small scale industrialization with large profits. The result is that it is incapable of attacking with any vigor the problems of its own revolution. It does not want to spend too much on dams, roads, irrigation, because that will raise taxes precipitously. All it wants is an alliance with foreign corporations and the internal political pull that makes possible 50 per cent and 100 per cent annual profits. It sustains as much of the status quo as possible, but with the



landlords now in a secondary political role while the new Capitalist class now is in the driver's seat.

The Egyptian, like the Turkish and Iranian, revolution obviously lacked depth. It was beset by so many conflicting forces that it was immobilized for effective action. Herein lies the tragedy of revolutions in "suspended animation." Where the will of the people is not tapped, or where the new regime does not take forthright action, these conflicting tendencies can cancel each other out and keep the revolution at a standstill. The negative phase of a revolution involves first and foremost the elimination from power or influence of those elements in the old society which have a stake in defending its old institutions.

In the early days of Capitalism there was an external stimulus for changing this internal relationship of forces, the stimulus of international trade. When America or Britain were rising powers they did not have the heavy competition in selling their goods abroad that a new nation has today. Nor did they need the same large aggregates of capital to launch industrial enterprise. Thus the number of entrepreneurs continued to grow within each country and they continued to press, as a political force, against the atavistic classes. The feudal elements were absorbed into the new Capitalist society; landowners often became Capitalists; displaced peasants became workers and sometimes entrepreneurs.

But this favorable condition no longer exists for the underdeveloped areas. It takes enormous sums of capital to build modern plants capable of competing with the United States or Britain or Germany. It takes enormous sums by the state to build roads, harbors, railroads and schools. The original capital needed is much more difficult to come by; stimulation of exports to pay for imported industrial commodities is infinitely a greater task. Consequently there is much less room for expansion within each underdeveloped country. And the less a new burgher class can grow, the less it threatens the feudal class. The very growth of the original industrial powers thus becomes an obstacle to the national development of the underdeveloped countries.



The external stimulus to complete the national revolution is far less pressing than in the early days of Capitalism. The result is that the internal stimulus must compensate. The revolution must be deeper from the outset; it must be continuous and thorough. So far, since the Russian Revolution, no country, with the exception of Burma, Israel, and possibly Yugoslavia and China, have been able to promote such an intense stimulus from within. Perhaps by and large the only hope for humanity is that those countries (the advanced western countries) that exercise hindering external pressures should now consciously drop them and should substitute counter-stimuli, this time towards a more thorough completion of the negative phases of national revolution.



## Chapter 5

### TEMPOS AND TEMPESTS

The primary ingredient in the negative phase of national revolution is land reform. There are naturally many others but change in land tenure is the pillar on which the others rest. The primary ingredient of the positive phase is capital accumulation. Here again other factors, legal and educational are important, but the means by which capital is accumulated, the tempo, and the total sums accumulated make the difference not only between a rising standard of living and one that stands still, but between democracy and totalitarianism as well. In the negative phase the danger most often confronted is that the process is too slow, in suspended animation. In the positive phase the most glaring difficulty in recent decades has been just the opposite, the process is too fast. Moving slowly in the first phase means that feudal institutions are preserved; moving too quickly in the second leads to harsh dictatorship.

The painless social revolution, it appears, must move rapidly to tear down the old social structures, must move cautiously, and, above all, at a "balanced tempo" in erecting the new. Exactly how fast is a most difficult question to answer. The whole subject has few guideposts. Most economists in the western world have been writing about how to make a Capitalist system more effective, rather than how to convert a backward country to industrialism. Even the apostles of Marxism had little to say on the subject. Marx himself wrote three volumes about capital. He noted the process by which Britain accumulated its original capital—through the enclosures. For Marx this was a social evil. But nowhere did he deal in detail with how to accumulate capital without such evil. In recent years Socialist thinkers in India and a few American writers have begun to analyze the subject. But it is still more or less virgin territory.

The problem is indeed formidable. Assume, for instance,



that the land has been divided amongst the peasantry. In the long run this should lead to increased agrarian production. With the incentive of private ownership there should be many technological advances. The peasantry produces more grain, the merchants export it and import consumer goods and capital goods from abroad, and home industry in turn proceeds smoothly, ever upwards. Presumably that should be the result. But in the short run it doesn't quite work that way. In the first place the productivity of labor on the farm doesn't go up automatically or immediately, despite land reform. The landlord, it turns out, used to take care of the irrigation, roads, credit and some of the marketing. Now that he is gone there is no centralized authority to direct the repair of *ghanats* or irrigation ditches. There is no credit for seed. What's more, the landlord's own big plot of land, which he worked with hired labor, is now far less productive than before. It is divided into many small plots each more inefficient than the former big plot and more uneconomical. The total role of the landlord was undoubtedly reactionary, both economically and socially. But many of his functions must be taken over by some other force before the village can forge forward.

Nor is that the end of the problem. Suppose that the village itself effectively takes over the landlord's former functions and the freeholders are now producing more grain than in the past. How are they to get the grain to the market? What incentive is the peasant offered to save and convert his surpluses to capital improvements? If he can take his wheat to market and buy shoes, liquor or a new plow he will produce more next year. But if there are not enough consumer goods in the city he will hoard his grain for a better day. That will lead to inflationary prices for grain and a general inflation. The cities will starve. The country will not be able to export rice to pay for a lathe machine. Industrialization will be held back, and next year will be no improvement. If the state decides to appease the peasant by buying consumer goods from abroad, then the peasant will bring his wheat and rice to market. But in that case, where does the capital come from to buy the new lathe machine? If the country's surplus is spent on buying consumer goods to placate the peasant, there



is obviously nothing left for buying labor saving devices for industry so that consumer goods can eventually be manufactured at home. Next year again will be no improvement. If you just curse the peasant and decide to take his grain by force, without offering him the consumer goods he wants, then you are transforming the country into a violent dictatorship and in the long run subverting your revolution. The task is obviously not easy.

You can, if you are the leader of a national revolution, postpone industrialization entirely. But that is also not feasible. All revolutions have one thing in common: an impetus to improve production. There is no sense in social revolution if that is not the goal. It is only when a society is ineffective in satisfying the needs of a particular class or classes that the disaffected rise up in revolt. The rebels are aroused because they see technological possibilities which the established order does not permit adequately to develop; and the fruits of which could be more equitably distributed than under present circumstances. In other words, the rebels see a chance of raising their standard of living by eliminating the obstacles to improved production. That is why they started the revolution to begin with.

But even if they did not understand all this clearly at first, there are two other features of social revolution which push towards economic development. The first is fear. The new, weak revolutionary order is fearful that it will be attacked from without by other powers, or from within by the counter-revolution. The French Revolution of 1789, for instance, was concerned with possible attacks by the bulwarks of feudalism, Austria, Spain, Russia. For these powers the French Revolution was a distinct menace, it gave heart and courage to Austrian, Spanish, German, Polish and other revolutionaries to emulate the French. The lines were thus drawn and military hostilities became almost inevitable. In nineteenth century Japan, the vitalizing fear of being conquered gripped the nation prior to the Meiji Restoration! Perry's landings on the Japanese islands taught Nippon that it was backward, easy prey for occupation by the great powers, just as China had been occupied. And that if it wanted to repair the disparity, to defend itself, it had, first of all to fashion an effective



modern industry. Thus, besides the original motive for revolution, fear of attack from both without and within always spurs the new regime to industrialize, if possible.

Another spur is the democratic or egalitarian tendencies of all revolutions. The old ruling class has a monopoly or near-monopoly of the instruments of force, police, army, castles and forts. To fight that entrenched power, unless it abdicates as in Japan, it is necessary to forge as wide an alliance as possible. The broader the alliance the more compulsion to carry out the promises of the revolution. The French spoke of "liberty, fraternity, equality"; that meant new freedom of trade and state help for the burgher class, land ownership for the peasantry, more freedom for women, workers and other minorities. Each of these allies enthusiastically participated under that slogan in the hope of achieving a better life. Implicit in that better life was the need to free advanced technological knowledge from the restrictions imposed on them by feudalism. The Russian Revolution spoke of "peace, bread, land"; implicit in those words was also the impulse to industrialize. The fact that these goals were not achieved is another story. But the alliance of soldiers, workers and peasants, each attracted by one of the three words in that slogan, demanded a more effective economy. To turn back on that would be not only to invite the counter-revolution from within, but possible attack against a weak social enemy from without.

Social revolutions do not always achieve a better life, certainly not immediately. But that at least is the banner under which they mobilize the masses for assault against the towers of the past. Once the old social institutions are obliterated the static character of society is replaced by a new economic dynamism. Once the national revolution sheds its feudal remnants it has an inner-drive to build the economy. The industrial revolution of the 19th century was an inexorable outgrowth of the national revolutions of the 17th and 18th centuries, not something separate or apart. Given a dynamic set of social institutions in place of the old restrictive ones, and vast economic change, though not inevitable, is at least implicit.

But though industrialization is implicit it is not by any



manner of means automatic. As we have indicated its pivot is capital accumulation, and capital can be accumulated by many techniques, some moral, some immoral, some which amount to outright robbery, some to democratic persuasion.

Essentially capital is production withdrawn from consumption, and re-invested so as to produce more goods later. The lathe machine in a modern factory, or the old spinning wheel in a home "factory" two hundred years ago, both represented consumer goods which the factory owners did not consume. Instead of eating all their wheat or spending all their income they save a bit of it, deny themselves some luxury or necessity today, so that they can buy a machine that will make life easier tomorrow. That at least is the theory, although not generally the practice. The same capital can be formed if, instead of the entrepreneur saving his own surplus, denying himself some need today, he just steals your surplus or mine. Often he can get the state to help him, sometimes he does it by fraud or other immoral means. Sometimes the state itself exacts that surplus by high taxes on the farmer, the nascent industrialist, or tradesman. Regardless of what it is called however, whether moral or immoral, capital formation is the result of somebody postponing consumption, saving his wheat or money and "permitting" this surplus to be used for industrialization.

Savings in themselves are not capital, because they may be put aside merely for consumption at some later date. Thus, for instance, the Spanish after they conquered large sections of South America were able to extract about \$370 million of gold and silver from Mexico and Peru, a fabulous sum at that time (1660). But the precious metal was not exchanged for spinning wheels, lathe machines, factories, or other producers goods. It stayed in the coffers of the Spanish adventurers for high living today and as insurance for high living tomorrow. Deeply entrenched feudalism precluded use of those funds for a serious development of industry.

But elsewhere, particularly in Britain, the feudal structure was being whittled away, and surplus savings were more and more being converted to capital. The main sources for this original capital formation were three:

1. International trade profits. During the 17th and 18th



centuries the English, Dutch and French East India Companies were earning fabulous sums. On one voyage alone the English company was able to pay 334 per cent dividends. The Dutch paid annual dividends from 12½ per cent to 50 per cent.

2. The enclosures of the land which made Capitalist agriculture possible. Demand for wool increased suddenly and sheep-raising became so profitable that the lords increasingly used the commons for grazing sheep and increasingly enclosed them to the peasants. A consolidation of holdings took place and Capitalist, rather than feudal, agriculture was born.

3. "Inflation profits." During the 16th and 17th centuries, as treasure flowed to Europe, prices rose three or four times. At the end of the 16th century in England the purchasing power of wages was only half of what it was at the beginning. These surpluses could be converted into the original capital accumulation.

Despite the prevalence in Britain of what was basically a feudal social structure, capital accumulation by the burgher class proceeded at what was then a very rapid pace. It is estimated that under Queen Elizabeth's reign up until 1695 capital investments in overseas joint stock companies increased from only £50,000 to £4 million. By 1720 it was £50 million. Much of these funds found their way into mining and manufacturing enterprises. By the mid-1650's manufacturing in England had made such progress that woollen textiles alone accounted for almost as much national income as that from agricultural products. National wealth zoomed from £17 million in 1600 to £88 million in 1688. Every index that reflected on capital accumulation was phenomenal.

None of this, of course, proceeded painlessly. The peasants who were uprooted from the land were bitterly disillusioned people, often reduced to beggary. The workers involved in this new type of social organization were exploited with impunity. Despite the improvement in production it is safe to say that until the early 1800's the condition of the working masses had improved only slightly, if at all.

The process of accumulating capital seldom takes place without leaving deep scars. Yet by comparison with what



was to follow in Russia after 1928 the course of British and American capital formation was natural and relatively placid. Nascent capital was piled up not in the course of a decade or two, but over centuries. Furthermore the new capital flowed into industries such as textile which required far less investment per worker than, say, a steel mill. The "savings withheld from consumption" were relatively small and, only a year or two after invested, they would result in considerably greater aggregates of consumer goods. This is an important point: to build a steel mill will take three, four, five years before it gets into full operation. It will require five or ten times as much capital as a textile mill. And what it produces, steel, usually does not immediately increase the total of consumer goods. The steel is sent off to build a textile factory or textile machinery, and in turn, years later, this leads to more dresses or underwear.

In the early days of Capitalism the amount of capital needed for improving production was small and it led more directly to additional consumption. When the industrial revolution finally gave Britain its great impetus in the 19th century living standards rose considerably. Capital formation was already sufficient so that new progress could occur without any *enforced* withdrawal of consumers goods from consumption. Even though Britain needed ever more and more capital for its industrial revolution the amount of consumers goods available for its people could increase from year to year. This is no small matter, or insignificant historical detail. It certainly was the backdrop for the flowering of British democracy; with a steadily increasing living standard Britain could consolidate her people around the regime. It had little need to use force against a satisfied or moderately satisfied citizenry.

By the standards of the period Britain's social revolution moved rapidly. But by future standards it proceeded smoothly and slowly. The relationship of capital goods to consumers goods was, certainly from 1800 on, favorable to an orderly improvement of the plight of the common man. Not enough consumers goods were withdrawn from consumption to hurt. The ratio of consumption goods to capital goods in Britain in 1810 was 6½ to 1; by 1850 it was still 4.7 to 1; and by



1870 3.9 to 1. That means that for every \$7.50 of goods manufactured in 1810 Britain drained off only \$1 to invest in new machines or replace old ones. From 1812 to 1924, 112 years, British production jumped sixteen times, a rate of increase of only 2.5 per cent per year. From 1812 to 1911 France jumped by only six times, less than 2 per cent boost each year. America's production from 1849 to 1929 zoomed 43 times, a rate of 4.8 per cent annually.

The amount of capital goods needed for each worker was relatively low compared to current standards. Today it takes at least \$2,500 of capital for one worker. The significance of this for underdeveloped countries is breath-taking. The barometer of industrialization has always been the shift of population from the farm to the city. The cost of shifting the American working class from farm to factory has run into hundreds of billions of capital. At the rate of only \$2,500 per worker, a country like India, if it would shift just one per cent of its agrarian population to the cities each year, would have to lay aside a minimum of \$10 billion annually for new capital investment, \$10 billion in a country whose total yearly income is only \$18 or \$20 billion. And this does not take into account government expenditures for roads, railroads, schools, and other public expenses!

The process of capital formation was thus much easier in the 18th and 19th centuries. The aggregates of capital needed were far smaller; the concentration of capital investment in consumer goods industries like textiles and agriculture made it far less painful to the average citizen. There was a more natural growth, no attempt to skip stages or compress them into short periods. Not that this was a lily white process by any means. Accumulation of capital for our own American Industrial Revolution, after the Civil War, involved bribery, corruption, robber barons and what not. The stories of cowboy raids, or the hard-hearted railroads are not fairy tales or cinema extravaganzas; they are rooted in history. Yet withal the process of the American Revolution, as well as that of the British, has been comparatively less painful for the population at large. Only in later days of the industrial revolution when man begins to depend on heavy industry such as steel, aluminum, utilities, mass-produced trucks and



appliances, does the positive phase of the national revolution become more difficult. In the late 19th and early 20th centuries the process of accumulating capital has been quite harsh for those nations that came late on the industrial scene. The very nature of the Capitalism that emerged following the later revolutions was considerably different from those of England or America.

We are accustomed to identifying Capitalism with "free enterprise." Certainly that was true so long as competition was limited within, or relatively within, national boundaries. But with the vast expansion of industry and trade in the last hundred years competition has become international in scope and the state has intervened to a considerable extent. There is certainly grave doubt as to whether Japan or Germany might have become important powers if it were not for the increased aid given to industry by the state. The governments took a whole series of measures to accelerate capital accumulation. In doing so they established a Capitalist, rather than a Socialist facade, but it is significant that with each passing decade state intervention has become more and more a feature of capital formation; without the state it is often impossible. Even in established Capitalist countries like America capital formation during the depression could never have taken place without a sizeable dose of Keynesian economic measures by the Roosevelt government. The much larger aggregates of capital needed for mass production, as against the earlier forms, and the mounting arena of competition until whole cartels and whole nations are involved rather than individual companies, has made individual efforts in new nations ineffective. The state has had to do what the individual could not.

Japanese history is most instructive in this respect. The Japanese Revolution, as we have indicated, was the result of no mass rebellion on the order of the French or Russian Revolutions. On the contrary it was led by a group of reactionary *samurai* who wanted nothing more than to "expel the barbarians"—the western powers who were beginning to establish extra-territorial pockets in Japan as in China and India. Until Commodore Perry landed in Tokyo Bay in 1853 the Japanese had completely isolated themselves from the



West. Only the Dutch were permitted a concession in Nagasaki; otherwise foreigners were subject to death for merely touching Nipponese shores.

The nation for centuries had had a dual apparatus, with an emperor that had little power, and a Shogun, who possessed the actual reins of government. Under the Tokugawa Shogunate, for two and a half centuries prior to Perry's landing, the country had become centralized and seemingly strong. An increasingly important merchant class (of whom the Mitsuis and Mitsubishi's were important cogs) pressed against the predominant feudal system though it failed to alter appreciably the basic feudal concepts of the regime. Only the menacing cannon of Commodore Perry's ships finally convinced the Japanese feudal lords that the clock of history had run out on them. The Shogun, bowing to the reality of the Commodore's guns, signed treaties with the Americans, British and others, granting them extra-territorial rights and trading privileges. But an increasing group of warriors and lords realized that the nation was finished unless it could "expel the barbarians." In 1868 a young new Shogun was prevailed upon to cede power back to the Emperor and this has become known in history as the *Meiji* Restoration.

A number of interesting features accompany this *Meiji* Restoration. First, it was more of a coup d'etat than a revolution in the sense of violence or uprisings, yet its total social import as time went on was revolutionary. Second, the *Meiji* followers had rallied around a conservative slogan "honor the emperor, expel the barbarians," but they found that to achieve this purpose they had to become more and more like the "barbarians" they were trying to expel.

To achieve this simple military purpose they had to destroy the old system and do a major job of overhauling the fabric of society. To "expel the barbarians," to fashion comparable cannon to those of Commodore Perry, Japan needed an elaborate industrial machine. The young *samurai* around the emperor quickly guessed that the static feudal system could yield no capital to industrialize. Despite their own feudal origins they ruthlessly slashed at feudal institutions, not as completely as in America or Britain, but impressively nonetheless. The state declared a policy of religious tolerance,



modernized the police, instituted universal military service and simultaneously deprived the *samurai* of their exclusive role in the military as well as of their substantial incomes. It introduced a system of mass education, established a civil service, promulgated a bicameral parliament, (though it limited voting and democratic rights), as well as many other measures.

In the economic field the lords were prevailed upon to yield their lands and their fiefs to the crown. In turn they received a generous money payment. The peasants on the other hand were allotted the lands they cultivated but now had to pay a money-tax (in contrast to the tax in *kind* under feudalism) directly to the state. These measures were a stimulus both to a market economy and to capital formation. The lords now found themselves without land and with considerable funds to invest elsewhere; the peasants had an incentive to improve production. The state taught the peasant better seeding methods, how to use fertilizer, etc.; the Japanese peasant became far and away the most productive in all of Asia. His tragedy was that there wasn't sufficient land to go around; that Japanese Capitalism, although it flourished, never was able to absorb as large a portion of the agrarian population into the cities as Britain or America. A money economy was a great impetus to Capitalism, but the *zaibatsu* (Capitalist families) were far better organized to take advantage of it than the disorganized peasantry. In one decade alone, from 1870 to 1880 the farmers were so exploited by the new group of money-lenders that according to at least one estimate fully one-third lost their land again. Capital accumulation proceeded therefore at the expense of the unfortunate peasantry. American officials in Japan after World War II were quite cognizant of this feature of Japanese capital accumulation. That was a major reason for their insistence on further land reform to free the peasant from the clutches of the money-lender and renter.

A third feature in the development of the Japanese Revolution was the role of the state. The *Meiji* regime could have waited for the haphazard growth of private enterprise to build the industrial machine, but that would have involved a much longer period. Available capital was small, compared



to the needs; it had to be funneled into the right channels. The Tokyo government was the direct initiator of basic industries. It directly developed such services as the railroads, telegraph and public utilities. In other industries it built the factories itself, then handed them over to private enterprise at a generous low price. It constructed paper mills and cotton spinning plants, aided in developing the merchant marine and the silk industry, and gave loans and other assistance to private enterprise in almost every important phase of endeavor.

The state was the vanguard of industry in Japan; it probably could not have been otherwise. Comparatively the country was very poor, lacking great natural resources and not blessed with the extensive international trade that aided capital accumulation in Britain and America. Japan had no "enclosures," nor did it have a few centuries to work on the problem. Speed was of the essence if the "barbarians" were to be held off from taking all of Japan as they took all of India and most of China. Only the state could direct such a venture.

The results were most interesting. The tempo of Japanese development were more rapid than the British, French or American. In the 44 years from 1895 to 1938 Japanese production increased by sixteen times. The rate of annual increase was 6.5 per cent, as against the British 2.5 per cent (from 1812 to 1924) or the American 4.8 per cent (from 1849 to 1929) or the French 1.8 per cent (from 1812 to 1911). Secondly, the Japanese regime, freed from the pressures of the people because of its oligarchic character, concentrated more on heavy than light industry. From 1930 to 1942, for instance, heavy industry increased by five times, light industry only doubled. In the long run this would undoubtedly lay the groundwork for a more abundant life, because production was being "deepened," it was becoming more rounded, with more capital being invested per unit of output. As everyone knows, mass production requires far more capital but is far less costly per unit than older and more individualistic forms of production. In that sense the emphasis on heavy industry was a social plus. But in the short run this meant that the common Japanese citizen, particularly the peasant, was being squeezed unmercifully. The



state pursued a policy of withdrawing a large portion of goods from personal consumption to use as capital. From 1900 to 1929 between 12 per cent and 17 per cent of the national income was used for capital investment. So large a proportion of goods withheld from consumption, when added to the profits of the well-to-do and the ordinary costs of government, military ventures, etc. obviously left only a pittance for the common man. It is no accident that Japan until the end of World War II was essentially a totalitarian regime. To continue that rapid rate of capital accumulation it *had* to use police force, or the threat of it, to keep its populace in harness.

Superficially the Japanese experience seems to defy the general laws of the national revolution. Not laissez-faire but rigid state intervention is the dominating motif. Not free competition but severe control is the guidepost of the economy. Not democracy but oligarchy is the political credo. There seems to be a restrictiveness and a rigidity more reminiscent of feudalism or mercantilism than of Capitalism. Yet this development sheds important light on the transformation of the national revolution in recent times. The new states find it necessary to "catch up" with the older Capitalist economies. Competition changes from mere competition between individuals, firms or even cartels, into competition between states. The state must husband its new industries, shelter them and protect them from the far more efficient economies of more advanced Capitalist nations. It must set high tariffs, introduce quotas on imports, grant subsidies to shipping, and above all accelerate capital accumulation. Competition remains the red thread connecting the whole social system, but it is no longer isolated competition within each nation or within one city. It is competition between one group of entrepreneurs which receives considerable help from its state, and another group of entrepreneurs in another nation with its own state-subsidies and state-protection. To compete with British shipping, which has a three hundred years or more head-start, the Japanese government must grant considerable concessions to private Japanese entrepreneurs. In fact in a certain sense it is responsible for putting many of them in business, since the government frequently accumulated capi-



tal, invested it, and then sold new enterprises cheaply to a favored nascent Japanese industrialist. The fortunes of the *zaibatsu* trace from this state generosity.

In "catching up" with advanced economies the new revolutions, as we have noted, find it necessary to concentrate more and more on heavy industry, steel, appliances and trucks rather than on foodstuffs or textiles. The amount of capital needed and the size of the enterprise are both much greater. Per dollar of investment, the smaller the amount of capital in a plant the more goods it produces. A Russian survey showed that enterprises of only 10,000 rubles had a turnover of 3.50 per year, while enterprises of 5 million rubles only 1.51, little more than 40 per cent. The small plants may be inefficient, but they require less consumer goods to be withdrawn from the common citizen than the big plants which tie up enormous amounts of savings. This is no argument for small industry, because any economy today that based itself purely on textiles or foodstuffs would not rank high in our world order. But it does indicate the staggering amount of sacrifice that a nation must make if it wants to catch up with the older Capitalist nations. What Britain and America could accumulate in centuries Japan had to accumulate in the course of a few decades. In the former the process was slower and more natural, in the latter it was hard and forced.

Japan was motivated by the fear of invasion; it insisted on building those industries that would sustain military might, and building them rapidly. The amount of capital accumulation was so imposing that the state had to intervene. Even at that it was not able to achieve the kind of progress that a modern nation should have. It concentrated so vigorously on heavy industry that all kinds of feudal carryovers lingered on in light industry. Thus, for instance, to this very day there are scores of thousands of women textile workers who work, eat, sleep and live in company barracks, veritable wards of the semi-feudal mill owner. Japan has substantial steel, chemical, shipbuilding and other works, but it also has tens of thousands of tiny factories with one, two, five or ten employed laborers. Walk through the streets of Tokyo any day and you will see thousands of men and women working



at small power looms or woodworking machines in their own homes. The country just wasn't rich enough to accumulate enough capital for a complete Capitalist transformation. Given its central theme of rapid industrialization and given the oligarchic regime which accomplished it, there was no other course.

The positive phase of every revolution, it is clear, must contend not only with the feudal carryovers which inhibit it but equally with the problem of *tempo*. If the revolution fails to break the back of feudalism it is incapable of true industrialization. That is the difficulty in such countries as Turkey, Egypt, Greece, Austria, etc. Here the national revolution has *undershot* its mark, it is not yet sufficiently completed to permit thoroughgoing industrial development. But there is also the opposite danger of *overshooting* the mark, of trying to catch up too quickly, that is, considering the resources and capital available. In the one instance capital is forming too slowly to permit industrialization; in the other it is forming so rapidly that living standards are actually affected. Food, clothing and shelter is literally being taken out of the reach of the citizenry in order to build steel mills that will bring benefits only many years or decades later.

The big question of our times, perhaps more imposing than any other, is:

How can a social revolution accumulate capital at such a tempo that it can defend itself from enemies within and without, and simultaneously raise living standards? Any country that can find this magic formula will be both revolutionary and democratic. Failure to find it leads inevitably to vicious totalitarianism.

Japan is one example. It is a Capitalist country that has tried to move too fast. But in this respect the outstanding failures of our times have been the Communist countries. The history of the Soviet Union can tell us what must be *avoided* more dramatically than that of any other country. Having gone thus far we now have at hand the materials to assess the weaknesses and strength of our main military enemy, and at the same time learn a few lessons for the development of our own "free world."



# YESTERDAY'S DREAM, TODAY'S NIGHTMARE

It may seem amiss to compare the Communist revolution with the Capitalist national revolution. But the various points of identity are so persistent they are inescapable.

It takes no crystal ball to recognize that the two social systems today are at loggerheads. Or the fact that within every other country each system has distinct allies, antagonistic to the other. Russia has its Communist parties everywhere; the "free" world has its pro-western parties. But in the historical *direction* and *broad aims* of their revolutions the clashing features are visibly subdued.

Consider first the negative phase of the national revolution, the destruction of feudal institutions. This is an objective of the Communist revolution just as it was of the national revolution. It is in fact the Communist forte. Until Lenin adopted this twist to the traditional Marxian strategy the leftist movement was a relatively weak force, with not a single major victory to its credit. Nowhere did it possess state power. For Marx and his collaborator, Engels, THE revolution was to be a revolution against Capitalism. It was to come in the advanced, rather than backward countries. It was to be based on the working class, rather than the peasantry or Capitalists. It was to destroy the institution of private property and substitute social ownership of the means of production. There was no room in the Marxian road to power, before Lenin, for such heresies as "dividing the land," giving the peasants individual, private tracts for their own exploitation.

But Lenin, a far more practical politician, recognized the need of tying the Socialist movement to the nationalist kite. During the 1905 revolt against the Czar he acidly berated those Socialists who stood aside because it was a "bourgeois" revolution. To reconcile orthodox theory with his own unorthodox practice he promulgated the two-headed slogan of



the "democratic dictatorship of the proletariat and peasantry." In simple language this meant a bourgeois republic with strong working class influence. He accepted *in toto* the non-Socialist program of the peasants to divide the land, because he clearly recognized the necessity of carrying out the tasks of the national revolution before he could proceed with anything else.

This was a grand departure from the mechanistic theory of revolution that had prevailed in the Marxian movement up to that point. Under the doctrinaire approach of more orthodox Marxists, the Socialists in underdeveloped and semi-developed countries were to wait on the side lines while the Capitalist classes achieved their revolution; and then, only then, would they begin to agitate for Socialism. The national revolution was not their affair, it was the affair of another class, an enemy class. But for Lenin the tasks of the national revolution were in the forefront of his plan for achieving power. Whatever we think of the man, history showed that on this he was right. The national aspirations of half of humanity and the poignant desire of hundreds of millions for their own piece of land, all this could not be side-tracked. It is significant that where Lenin's followers refused to endorse the peasant program of dividing the land, as in Bulgaria after World War I, they were routed.

Russia in 1917 was a typical autocratic nation with four-fifths of the population living on the land as typical peasants, exploited by landlords and money-lenders, and working their tracts with primitive instruments. Only 10 per cent of the population was engaged in industry, and only 15 per cent lived in urban areas. To be sure the nation had a veneer of Capitalism and, relatively speaking, considerable industry. But this too was on the feudal style, rather than capitalist. When Peter the Great built the first Russian factories as part of his "westernization" program, they were worked not by wage laborers but by *unfree* serfs who were *owned* by the nobles, and performed their factory labor gratis as part of their service to the lord. After a while of course this system merged into a more orthodox Capitalist one; but Czarist Russia, hampered by an authoritarian oligarchy, never achieved the flexibility of Capitalism. Most of the existing industry



was owned by foreign capital, usually French or British, and while the individual factories very often were large in size the total tenor of Czarist times was feudal rather than Capitalist. Not only Socialists but liberals all over the world looked for a national, Capitalist revolution to destroy the absolute monarchy.

When the 1917 Revolution did break out in February it was the bourgeois party of Lvov and Miliukov which took the reins of government after the first wave of demonstrations. Lenin in exile may have felt that Capitalism was inadequate to destroy feudalism. But in Russia itself everyone, including especially Stalin, was content with a "bourgeois revolution," and was willing to support it "conditionally." Only Lenin's return from exile to Russia changed the policy of his party. "Even our Bolsheviks," he complained, "show confidence in the Government."

We labor this point not because it casts aspersions on the well-advertised theory of the late Stalin's infallibility, but because it indicated that even the Bolsheviks realized that the negative phase of their revolution was identical, or almost identical, with that of the national revolution. Where they differed with the capitalists of Russia was in their estimate of the weakness of the nascent Russian burgher class. The capitalists, they said, can no longer carry out the tasks of their own revolution; only the working class can do so. This was a new concept in 1917, initiated by one of history's more pragmatic theoreticians, Lenin. His cohort Trotsky refined it into an elaborate theory. History, he said, has passed the stage where the capitalists in backward countries can fight feudalism. They no longer have the requisite dynamism or will. There is therefore a process of "combined development," where new societies can "skip stages." Thus the working class can replace the capitalists in the negative phase of revolution, destroy feudalism, and then combine this feature with the positive building of Socialism, theoretically skipping the Capitalist stage entirely. Whatever the merits of this theory the fact is that it conceives of the negative phase of the Russian Revolution, just like the negative phase of the bourgeois national revolution of the past, as one of destroying feudalism and its vestiges.



From 1917 to the present day, the Communist movement has talked vociferously in the western Capitalist countries of "overthrowing Capitalism," but its central *action*, its greatest victories have been won by defeating feudalism or semi-feudalism. Whether we like it or not, the fact remains that in our epoch, with few exceptions, only Communism has carried out the negative phase of the national revolution with any consistency and thoroughness. Wherever the Soviets took power, in central Europe, in China, Northern Korea, or in Russia itself in 1917, they destroyed feudal institutions completely. They destroyed the land tenure system, feudal justice, the concept of private law and anti-industrial rigidity. Usually in a matter of months, they banished feudal landlords from the villages, outlawed the feudal money-lending system, divided the land among the peasants, removed the old civil bureaucracy and changed the character of the army and police. What they substituted for feudalism, as we shall see, suffered from other, often much worse vices. But they were certainly not feudal vices. Perhaps they did not obliterate the feudal mentality and other lingering attributes of the old system at one fell blow, but certainly in the 20th century the Soviets have attacked feudalism with a ferocity that the western world has been unable to achieve. Communism has been attractive throughout the underdeveloped areas for precisely this reason. Unencumbered by imperialist concessions in the non-Communist areas, Communism has been able to attack feudalism with impunity. The negative phase of the Communist revolution has, for the most part, been identical with that of the national revolutions. Of course the Communists confiscated industry and foreign holdings when they confiscated landed estates, but the Capitalist segments of the nations they overran were so small that the main battle of the Communists was against feudalism.

The comparison between the two revolutions goes further, into the positive phase. Both had one great feature in common, a vital impetus towards industrialization. Between feudalism and Capitalism there was a wide gap in the economic sphere. Feudalism insisted on self-sufficient, circumscribed, non-industrial economies, Capitalism based itself on trade and markets. But between Capitalism and Communism the gap



is much smaller; both have made industrialization their central motif.

In Soviet Russia during the first two five-year plans, no man was more glorified or emulated than the American Capitalist, Henry Ford; Russia wanted to catch up with Ford's technological genius. A popular Soviet slogan of the period, wild and unrealistic, but nevertheless indicating the aspiration of the Russian regime, called upon the nation "to catch up and surpass America in ten years." In this sense, there is a distinct kinship between the two antagonistic systems. In fact, the Communist argument is that Capitalism was once a great step forward, but that it has outlived its usefulness and is no longer expansive. The profit motive, they say, tends to restrict, not increase production. Nowadays Capitalism improves production only for military purposes, it is no longer capable of a constructive industrial revolution. To resume mankind's march towards greater constructive industrialization and a better life, it is necessary to eliminate the profit motive and to *plan* production. So runs the Communist argument. The merit of this Marxian charge is not our subject in these pages. What is pertinent is that both social systems give industrialization the central place in their scheme. The positive phases of both revolutions, although they differ in techniques, aim at this goal. Accumulation of capital to invest in the productive process is an underlying feature of both.

Thus both in the negative phase and in the positive phase of the two types of revolution, there is a distinct similarity that lends itself to comparative study. Accumulation of capital is the *sine qua non* of both. Without it, neither can prosper; and with it each faces the dilemma of what tempo to adopt. Stalinist Communism adopted a tempo of accumulation which doomed its structure to totalitarianism, subverted its revolution into a counterfeit one, and reduced its people to a continuing and gnawing poverty. Due to its tempo, it became a *system* of exploitation which must perpetually impoverish its people. The strength of Communism has been in the negative phase of its revolution, its crusading assault against feudalism; its weakness, in the positive phase, when it over-reached the reasonable limits of capital accumulation.



Here is one of history's great travesties, a revolution which economically has done not too little but too much. Usually revolutions fail because they do not do enough. This revolution has failed, and failed utterly, because it has been too "ambitious." People who think in terms of personalities, politics and "Russian mentalities," rather than economic terms, may dispute this thesis. But the fact is that the Soviet story can be told almost completely in terms of capital accumulation, even though other factors, political, personal and cultural, enter into the saga of so great and populous a nation.

The system the Bolsheviks inherited after the "second revolution" in October 1917, suffered from the typical feudal diseases. The serfs, theoretically, had been freed during the 19th century, but the nation was still overwhelmingly agrarian, and some 60 per cent of the cultivated land was owned by the church, royalty and wealthy landlords. Farming was unproductive because the ancient strip system still prevailed, agricultural techniques were primitive and village social organization, based on the *Mir*, was feudal. Clearly the land offered little opportunity for the accumulation of capital which could develop an industrial system. Under the Czar, this deficiency had been overcome by importing capital from abroad. By 1914 foreign investment accounted for 46 per cent of the capital in the Donetz coal-mining area, 85 per cent of iron-mining, 90 per cent of metallurgy and 87 per cent of oil. Estimates vary, but presumably something between six and eight billion gold rubles had been invested by the British, French and others in Russian industry and finance, the equivalent of about one year's annual production in 1913. This was no petty sum when it is considered that a decade later the Soviets were able to accumulate only some 3.3 billion rubles in the course of five relatively productive years from 1925 to 1930. Yet, despite these large investments by foreigners, Czarist industry was incapable of sustaining the war effort in 1914. The nation had to borrow seven or eight billion rubles, its currency became inflated by nearly 400 per cent in two years, and its railroad system broke down with more than a third of its locomotives out of commission. The archaic, feudal bureaucracy of the Czar was un-



able to cope with the industrial demands of modern warfare. Its economy collapsed and Bolshevism filled the void.

The economic heritage thus was not propitious to begin with. But when the new Soviet regime had fought its way through three costly years of civil war, the situation became infinitely more bleak. Production fell by 75 to 80 per cent and the nation was plunged into dire poverty and famine. To start the wheels of industry moving again, under such circumstances, was a monumental task, particularly since foreign capital was no longer available. A few million rubles could be lured into Russia, but this was nothing like the pre-war scale and did not meet the prodigious demands of the economy.

To make matters still worse, the Bolsheviks were committed to two policies which would cut capital accumulation appreciably. Since theirs was a "proletarian revolution," they were charged with the task of raising the living standards of the working class, and presumably this had to be done regardless of the condition of the economy. In the first decade of Soviet rule, before Stalin consolidated his hegemony over the regime, this pledge was kept. The most severe critics of Bolshevism have noted this phenomenon. For instance, a critic of Communism, Manya Gordon, writes that "The subjugation of labor in Soviet Russia was not the work of a day or a year. As late as 1927 wages were still computed according to the principles of economics and, what is more significant, wages actually stood above the pre-war level. In 1913 wages accounted for 22 per cent of the national income and in 1926 for 26 per cent, notwithstanding the eight-hour day, the two-weeks holiday, and a number of other privileges which the workers received as a result of the revolution . . . . It is important to note . . . that such betterment in the condition of the workers was not due to the natural economic well-being of the country . . . . In 1926-27, the Soviet wage earners were much better situated than they had a right to be . . . ."

Boris Souvarine, whose book on Stalin is a classic, does not agree that the worker was better off than he was before the war. According to him there were millions of peasants unemployed, the eight hour day was not universally respected



and housing quarters were inadequate. But he does not dispute that conditions had improved from the low point. This improvement in the plight of labor, out of proportion to the increase in total production, was obviously a drain on possible new capital accumulation.

The other commitment which limited accumulation was even more painful. Lenin had pledged not Socialism in the rural areas, but Capitalism. A more doctrinaire Socialist might have insisted on state ownership and state operation of all available land immediately. But Lenin was always more interested in practical strategies than in doctrines. "Speaking generally," he said, "to encourage small property is reactionary, because it is directed against large-scale Capitalist economy and neglects the issue of class struggle. But in this instance we want to support small property, not against Capitalism but against feudalism." Some years later, in 1921, he boasted that, "We achieved victory because we adopted not our program, but that of the Social Revolutionaries," with the result that "nine-tenths of the masses of peasantry, within the course of a few weeks, came over to our side."

Land distribution was the first point on the Bolshevik agenda when they seized power. Under it the peasants expropriated 370 million acres of land and abrogated some 250 million a year in land rents. The number of holdings went up from 16 to 25 million and the plight of the poor peasant and the landless were no doubt improved. But from the point of view of capital accumulation small scale farming was a severe handicap. Under the old Czarist system it was true that there was an unfair distribution of income and that the peasants were badly exploited, but the system had one great advantage, it provided far more grain for the market.

By 1926-27 when agriculture had already recovered to 90 or 95 per cent of its pre-war strength, the Soviet villages were delivering only 13 to 14 per cent of the grain harvested to the market. In pre-war times, they had delivered 26 per cent. The big pre-war landholders found themselves with a considerable surplus, but the small landholders of the post-revolution period, personally consumed most of their increased production. For the first time they could live above the subsistence level, and they took full advantage of it. From



a social point of view this may have been a big improvement, but from the economic approach of capital accumulation it was a setback. Traditionally, Capitalism had been able to accumulate new capital by exploiting the rural area. Agricultural production was sharply increased by such measures as the enclosures, elimination of the strip system and improved techniques. The resulting surplus found its way into the urban markets for local consumption and export. Through a whole series of measures such as high taxes, inflation and high prices for industrial goods compared with low prices for farm products, the new farmer was squeezed to produce this original capital accumulation. In Russia, on the other hand, the Leninists introduced "Capitalist farming," but they were torn by disputes on the question. Should they permit the farmers to "enrich themselves" in the hope that the profits would eventually find their way to industry? But that would develop a new large farmer (kulak) class and millions of small peasants would be driven to the wall. This ran counter to basic Bolshevik pledges. Furthermore it would take a long time to squeeze any sizeable sums out of the peasantry by normal means (such as moderate taxes), because the government did not have the wherewithal to introduce effective, mechanized farming. Should they then squeeze the peasant through high taxes, high prices and inflation? This was the opposite alternative. But in that case they would cut living standards precipitously and turn the whole countryside into violent opposition.

The money for industrialization obviously had to come from somewhere. Czarist Russia had embarked on a major effort to industrialize, but the capital for this came primarily from foreign sources. Whatever disadvantages this had, and they were many and pronounced, this type of capital accumulation was the least painful one for the Russian people. The Czar didn't have to squeeze this capital out of the starving bones of his citizens. He didn't have to reduce their "normal" consumption further, because the savings were coming from abroad. The poverty of Czarist Russia was due, not to forced saving to form nascent capital, but to the maldistribution of income in a feudal society.

In Soviet Russia the maldistribution of income was some-



what mitigated by the regime, but capital accumulation was not proceeding well. In a poor country it could hardly reach large proportions without hurting someone, unless it were spread over a long period. Theoretically it was possible to improve productivity without capital investment, just by *organizing* production better. This presumably would be the beginning of capital formation. The surplus gained from better organization would go into labor-saving machinery and new plants. But this is obviously a long-drawn-out process, and the savings from better organization might be negligible. Furthermore, while it was going on, there would still be the formidable task of coaxing the peasant to deliver more grain to the market. In the years that nascent capital was being formed, what incentive, what consumer goods, could lure the peasants to produce more and sell more? If the state assured him of enough consumer goods it would have to keep investment in heavy industry at a bare minimum until some time in the future. This was the way British and American Capitalism developed, first by increasing the yield in foodstuffs and textiles, and by building heavy industries only decades later. But Soviet Russia (like Japan) wanted to skip this stage and catch up. The choices before it were thus not happy ones.

Originally the Bolsheviks had a simple, political, answer to the problem of capital accumulation. The revolution was going to spread abroad, particularly to Germany. Russia, with its great natural resources, and Germany, with its great industrial plant, would supplement each other. Aided by Russian raw materials, Germany could supply nascent capital for its sister soviet republic from its own increased production. But this dream of world revolution failed to materialize. German Communism was defeated in 1919, and once again in 1923-24. The Soviet leaders did not entirely lose hope, at least at this point, but in the meantime they had to attend to the wounded economy of their own country.

They met their difficulties first by the severe controls of what was called "War Communism." The state requisitioned food, operated a rigid barter system for goods, prohibited strikes and ran all industry and trade directly. Money soon lost its role as an instrument of trade, and the whole system



verged on collapse when a severe famine gripped the land. But when the situation seemed almost hopeless, Lenin, always a pragmatist, shifted in the opposite direction. He introduced the "New Economy Policy." Under this program, free enterprise was restored, except in foreign trade and the major industries, and though the peasant was still required to deliver some grain to the state, he could sell the remainder on an open, free market. The private entrepreneur predominated in retail trade and soon brought the economy out of the doldrums. Communism had to yield temporarily to a limited Capitalism.

Accumulation of capital in this period proceeded in three ways, through the profits in state industry (wherever it showed a profit), through taxes on the entrepreneur and through inflation. Probably all segments of society paid the bill for this, but the economy from 1923 to 1928 showed steady improvement, with living standards continuing to rise up to, and in some instances above, the pre-war levels. At any rate, capital accumulation was modest, less than in pre-war times. Of a total national income in 1925-26 of \$10 billion, only \$600 or \$700 million was converted into new capital.

During Lenin's life no rigid theories of capital accumulation had been formulated. After the Bolsheviks came to power the subject pursued them as a practical measure, but in the days of the civil war up to the time Lenin became incapacitated, there was no time to work out an overall approach. Furthermore, the Soviets were putting their hopes primarily on world revolution, not on a socialist economy in Russia. The question of capital accumulation was subordinated to the strategy of world revolution. But Lenin's death coincided with the decisive defeat of world revolution. This imposed on the Communist theoreticians the necessity of working out an interim economic plan for capital accumulation. Two factions began to confront each other, one led by Trotsky and the other by Bukharin, with Stalin supporting him.

Bukharin's thesis, which prevailed from 1923-28, was based on the political consideration that the alliance between the worker and peasant had to be maintained at all costs. The working class, he argued, could not "go it alone." In-



dustry had to grow rapidly enough to supply the needs of the peasant, and the peasant spurred by the profit motive and the fact that consumer goods were available, had to bring more grain to the market. In the contest between large, state-owned, industry and the small entrepreneur, either in the farm or city, it was inevitable that big industry would win out. The government would constantly see that productivity was increased and prices cut. To be sure, the state had the power to keep prices very high so that state enterprise would yield large profits, but this would run counter to the concept of a "balanced" development. The state needed profits, but not necessarily super-profits. Bukharin was content with a rate of accumulation of seven per cent per year. He was satisfied with the continued existence of capitalist agriculture and he was not disturbed because some peasants were becoming well-to-do. Every year while Bukharin was the economic leader, Russia witnessed one minor crisis or another. Bukharin answered each with a pragmatic, limited measure to keep the economy balanced. He either manipulated the currency to offer a small dose of inflation, or else he lowered prices on industrial commodities to make them more attractive to the peasant. His general idea was to move slowly, not to rock the boat.

Bukharin's policy was so moderate, according to one writer, that, "if a group of Manchester liberals had been in control of Russia at this time, they would not have perceived any dilemma. They would have been content to let the social and economic forces of the day have their full play, with the probable consequence that Russia would have developed along more or less familiar Capitalist lines."

The achievements of Russia under the Bukharin economic philosophy of slow accumulation were promising. According to Trotsky, the most bitter opponent of continuing this approach, "production doubled in 1922 and 1923, and by 1926 had already reached the pre-war level—that is, had grown more than five times its size in 1921." Other writers are not so optimistic. Manya Gordon, for instance, felt that by 1928, production in industries like cast iron and steel was only 85 per cent of the pre-war levels, while it surpassed the 1913 level in industries like coal, petroleum, electricity, machinery and some chemicals. But whatever the exact facts



were, it is clear that the improvement from the low point of 1920-21 was sensational. It was all the more sensational because the rate of capital accumulation was 7 or 7½ per cent compared with 8½ or 9 per cent in pre-war times. Had this tempo been continued beyond 1928 to 1930, total soviet production might have exceeded pre-war levels by between 20 and 50 per cent. This kind of progress, according to Bukharin, would mean a rise in living standards not only for the workers but for the peasants as well, a central consideration of his program.

One of the criticisms made of his policy was that he permitted purchasing power to increase faster than finished industrial goods. For instance, from July to December 1927 purchasing power increased by 11.6 per cent and finished goods only by 3.2 per cent. This created severe problems with the peasantry, because the peasant, knowing there were not enough goods in his local store to supply him with kerosene or cloth, was in no hurry to bring his grain to the market. To Bukharin this meant merely that the state needed to make an adjustment, to lower prices and divert from construction activity to producing more finished goods. He felt the state must do nothing to lower the standard of living of, or break the alliance between, peasant and worker. Industry must always adapt itself to the peasant market, keep reducing prices and increasing productivity. "There are many capital outlays," said Bukharin's collaborator, Rykov, "which must be postponed until such time as industry has won the possibility of increasing its revenues on the basis of an extended peasant market and increased mass production." If the peasant refused to deliver his grain, then the state must pay higher prices until it attracted that grain. If there were not enough consumer goods, then the state should import them even if it meant postponing new capital investment. Everything was to be geared to a "balanced development."

Trotsky's approach to the problem was quite different. He conceded that the results of the current policy had been encouraging, but he noted that from year to year the rate of increase was declining. Sooner or later it would come to a standstill. Furthermore, the state was running up against a solid phalanx of opposition which would eventually lead to



a crisis. Bukharin's concept of an alliance of workers and peasants was correct in general, but what was happening in practice was that only a *section* of the peasantry was thriving and growing rich, and doing so at the expense of the poor peasant. The well-to-do peasant could squeeze his less fortunate neighbor through loans, while he himself waxed fat by using his grain for speculation in the big cities. The result was that many poor farmers were being forced off the land—9 per cent in White Russia, 21 per cent in Siberia. Even worse, this wealthier peasant (*kulak*) was withholding his grain from the market and refusing to sow additional land because there were not enough goods in the stores. According to Trotsky, 60 per cent of the grain destined for sale was in the hands of only 6 per cent of the peasant class, and this class was deliberately hoarding it. The 1927 harvest, for instance was quite good, almost up to the pre-war level, yet grain exports fell to less than half the monthly average of 1926-27, and by July 1928 the country actually had to buy grain from abroad.

Soviet economy was caught in a vise. There were not enough consumer goods to satisfy the needs of the peasantry, and consequently the agrarian class, particularly the well-to-do agrarians, were depriving the city of needed grain, and depriving the state of its surplus for export. Export of agricultural produce was to be the major means of securing much needed industrial goods from abroad. If the produce was not forthcoming, it meant not only that the worker in the city must starve, but that economic growth in general must mark time. Clearly the state had to take some measures to drive the peasant into the market. In Trotsky's thinking, that involved first of all a program of taxing the wealthier peasant, a slow change-over from individual to co-operative farming, and a more ambitious program of capital accumulation (at the expense of the wealthier peasant) to increase production of consumer goods for the village. The poorer peasant was to be encouraged to form co-operatives. First that would mean co-operatives for buying and selling, then, progressively, co-operatives for common ownership of machines, common harvesting, common processing, and then at some time in the future there would be common ownership and cultivation of



the land itself and collective farming. On this basis Trotsky felt that the rate of accumulation of capital could be doubled, while the standard of living of the population generally (except for the *kulak* class) would continue to rise.

As a first step, the Trotsky opposition proposed that the state introduce a compulsory grain loan of 200 million *poods* (a *pood* is 36 pounds). This would amount to something like 25 per cent of the hoarded grain and would be slightly more than the average annual grain export of the country in the preceding two years. If capital was to be accumulated, it had to come from somewhere; and since it could not come from abroad, Trotsky insisted on taking it from the most vulnerable segment, the "Capitalist" elements on the farm.

Trotsky's thesis, like that of Bukharin, was based on the assumption of an alliance between the working class and peasantry, but he assumed a differentiation *within* the peasantry. Lenin had written years before, in outlining his reasons for individual farms, that the Bolsheviki must work "first with the 'whole' of the peasantry against the monarchy, the landlords, the medieval regime. Then with the poorest peasants, with the semi-proletarians, with all the exploited classes against Capitalism, which included the rural rich, the kulaks, the profiteers, and to that extent the revolution becomes a socialist one." Trotsky was now putting this theory into practice. The state had a moral obligation to the peasantry, but not to those peasants who were becoming Capitalists and were undermining the economic structure of the nation by their hoarding. On the other hand by differentiating between the small and middle peasant on the one side, and the wealthier *kulaks* on the other, it was possible to industrialize without any major political upheaval. Presumably, Trotsky felt that while the richer peasants would be cut down, the others could improve their lot, both as a result of individual efforts and of the maturing of co-operative effort.

Whether Trotsky's theories were feasible is today only hindsight conjecture. Everything in the final analysis depended on the *tempo* of capital accumulation. Trotsky's tempo was more ambitious than Bukharin's, far less ambitious than the one which finally prevailed under Stalin. But what if Trotsky's tempo had also proved too rapid? Obviously the state would



have faced the same dilemma then that confronted Stalin later on—how much force to use against the masses. Trotsky felt that by appealing to the small peasant he could isolate the richer peasant and avoid widescale police action. If the state helped the poorer peasants to better their plight, they in turn would help enforce the state's edicts in the village. Without the help of the majority in each village the rich peasant was powerless, Trotsky reasoned.

The difference between Trotsky and Bukharin was in the mass base each sought to preserve power. Bukharin wanted the support of the *whole* working class and the *whole* peasantry. Trotsky wanted the support of the *whole* working class, but of only a *majority* of the peasant class. These were important differences, but the gulf between them was never as great as the gulf which finally separated both of them from Stalin.

As everyone knows, Bukharin and Trotsky, after five years of factionalism, were each banished from power. The plan Stalin adopted, in pragmatic fashion, sought neither the support of the whole peasantry nor of the whole working class, nor even of big segments of these classes. Stalin's plan rejected not only the slow tempo of Bukharin but the more rapid tempo of Trotsky as well. It introduced a tempo of accumulation so violent that it could keep the allegiance of neither workers nor peasants. Henceforth Stalinist Russia would have no mass base among the people, only a tight-knit allegiance from an ever-expanding police and bureaucracy.

In an impoverished country of some 150 million people, with a national income of approximately \$10 billion, Stalin's rate of accumulation could only be disastrous. Where Bukharin had been content with a seven per cent rate of the national income, Trotsky twice that much, Stalin insisted on four times as much. One quarter, or more, of the national income was to be diverted into capital investment. The proposed tempo of development was to be three to five times as rapid as Japan's (which also had to resort to totalitarianism), four to six times as rapid as American progress from 1849 to 1929, and seven to twelve times as rapid as Britain's from 1812 to 1924. The argument used by soviet theoreticians that their system was better equipped for rapid capital ac-



cumulation is obvious specious, because the accumulated surplus in Russia was pathetically little, and the available surplus equally small. It is true that by eliminating the rich and by taking over their property, the state could cut down on consumption of luxuries and rest on a backlog of capital investment. But by 1928, the old machinery taken over from the capitalists of yesterday was already in disrepair and sadly in need of replacement. For all practical purposes it had not been touched for fifteen years and was now quite obsolescent. Since Russia could get little credit abroad and could depend on little international trade, it had no intrinsic advantages for accumulating capital; on the contrary it had distinct handicaps. What it did accomplish was the result not of the "superiority" of the Stalinist system, but because of its extreme harshness, unparalleled in modern times.

The "progress" of the final Stalinist product is as devious as a mountain road. Stalin himself swung like a pendulum between the theoretical giants, pushed to decision only by the pragmatic urgings of power. Throughout the mid-twenties he had scorned all rapid industrialization plans. At one of the Party congresses, he pointed out that "since . . . there is a great lack of capital in this country, we have good reason to expect that in the future the growth of our industry will not proceed so rapidly as it has in the past." A five year program put forth by Bukharin and Stalin suggested that production be increased by nine per cent in the first year and then spiral downward to only a four per cent increase by the fifth. At the same Party congress he argued vehemently against any plan to "double the present sum to the development of industry" . . . This "would bring about an unduly rapid tempo in the development of industry, so that, owing to the lack of a sufficiency of free capital, we should not be able to keep step with that development, and there would certainly be a fiasco—to say nothing of the fact that if we were to spend so much on industry, there would be nothing left over for agricultural credits."

With unconscious prescience he actually predicted what was to occur under his own exclusive rule some years later. Arguing against Trotsky he stated in 1925 that "the future development of industry, will probably not be so rapid as up



to the present" because rapid industrialization "will certainly ruin us . . . undermine our currency . . . inevitably lead to . . . a great increase in the price of agricultural produce, a fall in real salaries and an artificially-produced famine." He rigidly insisted that the NEP, private entrepreneurship in the smaller industries and retail, would continue. As late as April, 1928, *Pravda* shouted that "only counter-revolutionary liars could talk of suppressing the NEP," and Stalin's alter-ego, Molotov, stated that "we must certainly not forget that in the coming years our agriculture will develop principally in the form of small peasant enterprise." Stalin himself remarked late in 1928 that "there are people who think that individual farms have exhausted their usefulness, that we should not support them . . . These people have nothing in common with the line of our party." At one time, Stalin even had the idea of leasing the nationalized lands to private owners for forty years, and of transferring the ownerships of farms, nominally held by the state, into private hands.

But by 1929 all this had changed. Stalin now proposed not only a doubling of capital investments which he had previously said would lead to "fiasco," but a quadrupling of them. And instead of private farming, he proposed complete collectivization. The positive phase of the Russian Revolution thus changed its tempo sharply, from slow but steady accumulation of capital to rapid and precipitous accumulation. Soviet totalitarianism may be attributed to this fact rather than to any intrinsic characteristic. Within the Bolshevik party, it must be remembered, there were many factions, each believing in a different tempo of development, and each with a different attitude to democracy. Even during the mid-twenties there were groups within the Soviet congresses which demanded the legalization of such opposition parties as the Mensheviks and Social Revolutionaries.

It is interesting to note how each political theory has a different approach to capital accumulation; and conversely each tempo of capital accumulation leads to a varying political theory. That was true of Russia and is true of all other countries in the positive phase of their revolution. The amount of sacrifice demanded of a population in order to develop industry, determines the amount of popular opposition, and



the amount of police force needed to quell that opposition. Bukharin's slow tempo of capital accumulation was consistent with a far higher degree of democracy than the Stalinist plan was; but in the thinking of both Trotsky and Stalin it was not consistent with building an industrial society. The underlying political motif of Bukharin's approach was one of marking time. Trotsky's more rapid tempo undoubtedly would have alienated more people, particularly a significant segment of the peasantry; but if it could lead quickly to a considerable increase in the manufacture of consumer goods, it would require relatively little force. This too was a "mark time" approach, based on waiting for the world revolution to basically solve the problem of capital accumulation.

Stalin's excessively rapid tempo could only alienate the whole population because it reduced consumer goods drastically for at least five years, and for the mass of the people possibly three or four times that long. Under such circumstances only force could sustain the regime. And if the state was willing to pay the price of severe and costly police repression, it was only because this was the lesser evil to the alternatives of revolution at home and war abroad which Stalin felt faced the Soviets at that time.

The peasants were refusing to bring their grain to the market and the workers in the city faced famine. In June, 1928, there was a clash of unemployed and militiamen in Moscow, following the pillaging of some shops. Within six months there were 150 peasant uprisings. The program of the Communist International, adopted in September, 1928, proclaimed that "expeditions against the colonies, a new world war, a campaign against the USSR are matters which now figure prominently in the politics of imperialism." Where Bukharin had evidently felt that Russia would reach some *modus vivendi* with the West, and where Trotsky had felt that the answer to the danger of war lay in spurring revolution elsewhere, Stalin conceived the answer to both internal revolt and external intervention to be the rapid building of basic industry so as to improve the Soviet military potential.

The capitalist world and the soviet world, Stalin felt, were in permanent warfare; until the soviets could match the economic-military power of its enemies it must remain in-



secure. There was no sense in waiting for world revolution; the task was to build industry in Russia *now*. Eventually the soviets would overtake the western world industrially. In the interim they would pit one capitalist nation against another; they would use their Communist Parties everywhere to stir up tempests, to weaken the enemy. At no matter what cost, the building of a heavy industry, according to Stalin, was the only defense of soviet Russia.

The "world revolution" itself must first depend on defending Russia as its bastion, then on the force of soviet arms. Stalin's theory eschewed the old type of Leninist revolution, uprisings of the masses in the streets and factories. It felt strikes and other mass struggles were merely an auxiliary to undermine the ability of the other powers to fight Russia. It used its weight within the working classes abroad to bargain for periods of respite. Thus with each Franco-Soviet Pact, Roosevelt recognition, Stalin-Hitler Pact, Teheran conference, there was a change in the Communist Party line in these particular countries. The basic fear of Stalinism, like that of the Japanese Samurai after the Meiji Restoration, was the fear of military intervention which would require a strong basic industry upon which to build military defense. This political approach produced what we now know as Stalinism, an excessively rapid accumulation of capital, forced collectivization of the whole peasantry as a means of exacting that capital and the emergence of the most powerful police dictatorship in history to keep the disaffected masses quiet.

From 1929 onwards Stalin forced the peasants into collectives. If the peasant refused to deliver his grain to the state, or increase the acreage of his sowing, then he had to be forced into some structure where the state controlled his produce. The collective, with Communist officials in charge, is the answer. Through such a structure the state can lay its hand on all the grain it wants. It does not have to beg or search a million different peasant households. At first the plan was for 20 per cent collectivization in five years. But once he started, Stalin did not stop. By 1932 more than three-fifths of the farms were already collectivized. Unfortunately the state did not have the machinery, the fertilizer or other supplies to increase agrarian yield. All it did was lump the farmers to-



gether without any possibility of improving the farmer's plight.

The result was a silent battle of the peasants with the regime. The peasant hid his grain and killed his cattle, rather than give them up to the collective. The amount of grain, which had increased by 1930 to 835 million hundredweight fell in the next two years to below 700 million. Sugar production fell from 109 million *poods* to 48 million. From 1928 to 1933 the number of horses decreased from 23 to 14 million according to one source, and from 34.6 million in 1929 to 15.6 million in 1934, according to Trotsky; sheep and goats dropped from 147 to 50 million and cows from 31 to 20 million.

In industry soviet investment proceeded at a fabulous rate. Japan's total capital accumulation even in the years of its greatest advance, in a period when it was increasing production by five times, was only ten per cent annually. In one period, from 1910 to 1919 it was 17 per cent. But Russia now was spending fully a quarter of its national income on capital investment. Moreover, the new investment was in precisely those spheres of industry which would take the longest time to yield consumer goods. Of the 25 billion rubles invested in industry under the first five year plan, 1928-32, fully 86 per cent was in the capital goods industries. In the second five year plan, the amount of capital rose to 58 or 59 billions, but the percentage of capital goods investments remained about the same, 85 per cent. In the third five year plan, with investments at 112 billions it was still 84 per cent for capital goods industries.

The state was forcing the population to save, to cut down its consumption of food and textiles, in order to buy machinery. The state was exporting sorely needed grains, foodstuffs and other supplies in exchange for machinery that would go not for more finished goods but for more capital goods. The production of grain fell, but the state more than doubled the amount it collected forcibly. Prior to the first five year plan, it managed to buy eight to ten million tons annually from the farmer; from 1930 to 1932 it collected twenty-five million tons annually. These were famine years, when literally millions starved to death, particularly in the Ukraine; yet the state more than doubled its collection of grain. While people



were starving in 1931, it exported 203 million gold rubles worth of food stuffs. While production of sugar kept falling and had to be rationed, the state increased its export from 127,000 tons in 1929 to 320,000 in 1931. Import of consumer's goods was cut drastically, in 1932 it was only one-sixth of what it had been in 1913; but import of industrial goods like machinery increased sharply, in 1932 it was already three times as much as in 1913. The lowered standard of living of the people is illustrated by the history of such food imports as rice, tea, coffee, herring, cotton. Import of an item like coffee, not produced in Russia, fell from 1,417 tons in 1913, to 710 tons in 1927-28, to only 58 tons in 1933. Tea, a Russian necessity, fell from 75,811 tons in 1913, to 28,134 in 1927-28 to only 19,307 tons in 1933. Cotton imports in 1933 were only one-sixth of the 1927-28 level and only one-ninth of the 1913 level.

The cost in human lives of such a curtailment of consumption was staggering. Millions were exiled for resisting collectivization. In sixty-five days, from December 27, 1929 to March 2, 1930, at least two million peasants were banished according to a pro-Soviet correspondent of the New York Times. Others put it at five to six million. One writer estimates that another four to five million were exiled in 1931, and that this figure was surpassed in later years. Tens of thousands of these people died under painful conditions in far-away, hastily established camps. Thousands of functionaries were arrested, many executed for such crimes as allowing "weeds to grow in the fields." By 1931 Russia was entering a new man-made famine. The grain crop now was down to only 69.5 million tons, as against 96.6 in 1913, but the state insisted on taking half of it. The state had spent ten billion rubles to improve agricultural production, yet this was the result. And in 1933 when the full force of the famine finally hit the country, at least five (possible nine) million people perished. Stalin's rapid tempo of accumulation had led not only to cuts in grain production but drastic reductions in animals and technical culture as well. While the state continued to export grain and sugar, millions literally starved to death begging for these very items.

It was inevitable that such large investments of capital



should bring an increase in production. But it is interesting to note how far behind productivity per individual lagged. The sullen, hungry, hostile laborer being forced to work at wages dictated by the state, unable to buy what he needed at the store, having no union to defend him, prevented from changing jobs or moving by threat of prison, could hardly be an efficient worker. The average productivity of labor in 1931, for instance, declined 11.7 per cent.

To squeeze the peasant, Stalin had introduced not only the usual assortment of taxes and forced loans, but collectivization. To squeeze both the peasant and the worker he introduced a hidden sales tax, called turnover tax, sometimes 50, 100, 200 per cent or more. The state invested money in industry and collectives by the simple expedient of printing money, and to make up for it, it raised the prices of commodities by the turnover tax. The inflation of the first five year plan was precipitous. From 1.7 billion rubles in circulation it rose, by the time of the second five year plan, to 8.4 billion.

The most rapid rate of capital accumulation in all history could not proceed without the most massive police structure in all history. This unsavory factor of soviet reality, well-hidden during the thirties when the liberal world gasped at the "miracle of production," no longer needs documentation. Factions within the Communist Party became illegal after 1928. For the first time the secret police spied not only on "enemies of the state" but on all leaders of the ruling party itself. Tens of thousands, then millions, were arrested and enslaved in the slave labor camps. The state needed an atmosphere of pervading fear to stop the disaffected masses from rising in concerted revolt. Those who were arrested were eventually put to work on back-breaking and death-dealing jobs in the soviet wildernesses, again to fashion new capital for the regime. The prisoners who downed trees which were then shipped abroad for machinery, or the men who dug long canals, were paying for Russian capital accumulation with malnutrition, hunger, loss of freedom and sometimes death. The abstract concept of Marxian freedom was perverted by Stalinist reality into abject slavery. Freedom of



speech, moderately tolerated in the twenties, legitimate trade union action, all went by the wayside as the towering monolith of police power overshadowed everything.

It could not possibly have been otherwise. Given such a rapid tempo of accumulation, the rest followed inexorably. The course of Stalinist development had its ups and downs, its retreats and advances. Each retreat, for instance the temporary permission in March 1930 for peasants to leave the collectives or the legalization of private trade in food, is followed by a more vigorous advance towards the total state. Each time, Stalin bides his time while his police power is built wider and deeper. Stalin built the true Bonapartist state, based not on any class or any alliance of classes, but only on segments of each class that were willing to incorporate themselves into the police and bureaucracy. Stakhanovites, who speeded up the work in the factories, collective farm managers, intellectuals who justified the terror to the great mass, the secret police and the army, these segments became the core of soviet power. Without this massive police bureaucracy which stood between Stalin and the people, his regime could not have survived for a day.

The interesting epilogue to this tempo of rapid accumulation is that it had been self-perpetuating. A regime whose central motif was to overtake the West in heavy industry so that it could achieve military parity, would continue the "squeeze" on its mass of citizens so long as the mass was unable to defend itself and so long as the disparity existed. Once Stalin destroyed every vestige of mass pressure, the state had no need to cater to its citizenry. It could, and did, go full speed ahead, regardless of the hunger or loss of lives. It continued to concentrate on capital goods, to minimize the amount of consumer goods.

Furthermore, whatever increases there were in consumer goods production were inequitably distributed. Since the police and bureaucracy were the main prop of the regime, their loyalty had to be assured at all costs. To do so the state constantly augmented their privileges. Almost all non-Communist commentators have remarked on the ever-widening gap between the mass of workers and peasants on the one hand, and the bureaucracy on the other. The latter rewarded themselves



with summer homes, servants, automobiles, special stores whose shelves were stocked with luxuries and special clubs. From year to year this class demanded and received a significant improvement in its living standards. It could not be otherwise since this was the only force between Stalin and perdition. Each individual in it was a little Stalin (later Malenkov and Khrushchev) only because within his own confines he could practice the same authoritarianism.

Once the totalitarian structure of the regime was completed, the mass of people had no way of seriously influencing state policy except by violence. But since the secret police have been able to cope with all opposition, the bureaucracy had, in effect, *carte blanche* to do as it wished. It became an over-privileged ruling caste or class amid the poverty of the tens of millions of the "workers' fatherland." Maldistribution of income under Stalinism was as glaring as under capitalism, possibly more so. The mass of people remained impoverished despite the wonderful statistics on production. It waited in line endlessly for such necessities as textiles or tangerines, and was poorly clothed and poorly fed.

According to U.S. Bureau of Labor statistics "The average Soviet worker now (1954) has to work about 53 per cent longer to buy a pound of bread, 43 per cent longer to buy a pound of beef, and 244 per cent longer to buy a quart of milk than he did in 1928." The five year plans had a nasty habit of always being "overfulfilled" in the sphere of heavy industry and underfulfilled in the sphere of consumer goods. In 1935, for instance, while the heavy industry plan was more than carried out, housing production was only 55.7 per cent fulfilled, even though it was small to begin with. The population of Russia has grown considerably since 1928 but agricultural production has increased only 25 to 30 per cent. As late as January 1, 1954, the number of cattle was far below that of 1928, 56.6 million against 66.8 million; and hogs were only slightly more than in the last year before rapid industrialization. The prices of consumer goods were still out of all proportion to wages. The average worker earned 800 rubles a month (the ruble has a nominal value of twenty-five cents, but its purchasing power is less than half of that), but one egg cost two and a half rubles (sixty-three cents), a cotton



shirt seventy to eighty-five (\$17.50 to \$21.25), a suit 1,100 to 1,800 (\$275 to \$450), etc. The Soviet bureaucracy prospered, the mass of people remained close to the subsistence level.

During and after World War II, the Kremlin faced another problem relative to capital accumulation. The long war destroyed much of its resources; it had to replace plant equipment and rebuild bombed cities. Again the problem was resolved by a "squeeze." This time the squeeze was not only on the people at home, but on the satellites conquered or subverted during and after the war. The Soviet literally hijacked billions from their "sister" soviet republics. They also continued the squeeze at home.

The same impetus which forced Stalin to squeeze capital out of the hides of his citizenry also motivates Khrushchev. Even with recovery and with all its great advances the Soviet state still is far behind its "capitalist enemies" in total production. In steel, the backbone of industry, Russian production is only about one-third of the American production, and if you include that of Western Europe probably only one-fifth. The same driving fear that was responsible for originating the mad tempo of accumulation still underlies the Russian effort. Until it achieves industrial parity or superiority with the West, the present regime will continue rapid accumulation. Freed from controls by its people it will blithely disregard consumer needs; it will continue widening the gap between the new Soviet rich and the old Soviet poor.

For a moment after Stalin's death the new regime under Malenkov promised all sorts of improvements in the plight of the common man. Perhaps the new rulers of the Kremlin were sincere in all this, possibly they feared the mass of people who might use the change in regime as a lever for changing the system itself. The new leaders stood between their own bonapartist bureaucracy of some millions of privileged people and the great mass who had suffered deprivation for so many years to pay for rapid industrialization. In this early stage it seemed wise to promise more consumer goods. But soon the Malenkov policy and Malenkov himself were both tossed aside in favor of the old Stalinist program now guided by the hand of Khrushchev and Bulganin. In this total-



itarian state, as in all others, the privileged class fights tooth and nail to continue its disproportionate share of power and luxury. The wild promises of a better day for the masses were mere political expedients of a shaky regime immediately after the death of its dictator.

In a Capitalist democracy the laboring classes have regular channels of struggle and pressure through which they can secure a larger portion of increased production. These are undoubtedly inadequate but they do have considerable effect. The workers have their unions, the farmers their legislative lobbies. There is a relatively free press and free speech, politicians can be pressured by the threat of defeat in elections, and there are many other means of influencing the individual Capitalist as well as the state machine. But under a totalitarian regime the only pressures that count are those of the members of the bureaucracy itself.

There are no real unions, no free press, no election contests in a totalitarian state. The June 1953 uprising in Germany undoubtedly gave the Soviet leaders cause to pause and make some concessions. But before a sincere policy of raising mass living standards can be put into effect, it must undoubtedly meet the resistance of the bureaucratic class itself. Possibly the liquidation of Beria as secret police chief is attributable to this circumstance. But this is obviously only a small feature of the process. To change its base from that of the bureaucracy back to the "workers and peasantry" is impossible without some form of political uprising. The moment may be propitious for such uprisings in Russia these days because the standard of living has of course risen since the low point of war-time starvations, and because it is usually during moments of rise that nations and classes mass the courage to overthrow an external imperialist or an internal dictator. But whether such an eventuality occurs or not, the fact remains that the transformation of the Russian bonapartist state into a democratic state cannot be achieved through any mere decrees by Malenkov, Khrushchev or Bulganin. It will involve a far wider social and political struggle, and will probably find a new leadership.

The soviet revolution now has the economic wherewithal, the necessary capital equipment, to move to a new phase.



Russia may be nearing its 1830 or 1848 or 1871. What happens after that will depend on the new leadership, the mass pressures, and the new perspectives; but what has happened up to now has been the inexorable result of the rapid rate of capital accumulation. Once that course was finally set in 1928-29 there unfolded the inevitable totalitarianism, a self-enclosed system which today can no longer be changed except through political revolt and the consequent adjustment of the rate of accumulation, consumer goods production, distribution of income and democracy.

The positive phase of the soviet revolution must be assessed in this light. Looked at in a vacuum it has been eminently successful. Compare production figures in 1913 with those of today, in almost every sphere there has been a seven, eight, or nine times improvement. In steel, the barometer of industrial progress, it is about nine times. But scrutinized more closely the soviet experiment was a pathetic failure. It paid an infinitely higher price in the amount of capital investment and particularly in the amount of human investment for each dollar improvement in production than any of the national revolutions. Its leaders were, of course, willing to pay that price, but that should not detract from the toll exacted by rapid accumulation. It is definitely inferior to a more balanced approach which seeks to improve living standards while increasing the productive potential.

Our opposition to Communism must take the soviet experiment as its touchstone. Soviet Russia is attractive to peoples the world over because:

1. It destroys feudalism and feudal carryovers quickly and vigorously.

2. It embarks on a campaign of industrialization which shows results.

But its major and fatal weaknesses are:

1. It is socially over-violent, socially destructive; the price it pays for industrialization is far out of proportion to the social benefits to be derived.

2. The totalitarian regime which emerges, after a while, precludes the possibility of changing to a balanced tempo of accumulation, thus perpetuating the evils of underconsumption in the midst of increasing production.



## Chapter 7

### THE ELUSIVE MAGIC FORMULA

We have dwelt at length with soviet history, not only because it gives us an insight into the strength and weakness of the Kremlin, but because it also establishes some guideposts for social change. From the human point of view, Russia offers us the worst possible example; it highlights the worst possible mistakes on how to develop a country. The soviet revolution which, in 1917, sought wide support from the people (to the point where it adopted a non-Communist peasant program to gain peasant allegiance) by 1928 was oblivious of all mass pressure. It responded neither to the wishes of the workers or peasantry, only to the booming voice of its own bureaucracy.

A sound revolution away from feudalism obviously must start with the opposite strategy. It must actively and consciously seek the support of the people, it must consider its efforts wasted unless it can show a steady rise in their living standards. Both considerations are tied to the question of *balance* and *tempo*.

How fast? This is an important question for American foreign policy and the world at large. For the fact is that we are living amid the most extensive revolution in all history. It is not a revolution on the model of 1917 in Russia, nor even on the model of 1776 in the United States. The Russian Revolution was an uprising of masses in the streets, soldiers in the barracks, and peasants in their villages. The new revolutions in Asia are the result either of abdication by foreign occupiers because of fear that continued occupation would lead to uprising (as in India or Burma); or of military campaigns by colonials that have a social connotation (as in Indonesia or China). These differences have slurred over in many minds the revolutionary character of the independence struggles of Asia. They seem to lack depth. They have achieved independence from the former imperialist ruler but have failed to implement to any great degree, either the negative or



the positive phases of their revolutions. The Russian Revolution was distinguishable by the vigor with which it destroyed feudalism and by its outspoken thesis of non-Capitalist industrialism. The new revolutions of Asia (except China) lack that forthright attack on feudalism and are stumbling in their attempts at industrialization. Such distinctions are worthy of note. But they do not deny the existence of the vast revolution. That revolution, now only in its incipient stage, will affect world affairs for many decades to come.

In one form or another therefore the question "How fast?" is of utmost importance. Each country searches for the right tempo to fit into its particular philosophy. Each is handicapped, on the one hand, by the extent of that feudalism that still inhibits its development, and on the other, by the shortage of capital. No one will ever find the truly perfect formula that can guarantee full democracy while living standards improve and national industrial power is multiplied. Of the new, independent post-war nations, only one or two today are industrializing both with speed and with extensive democracy. Others move either too slowly, while they protect the democratic process; or too fast while forging new chains of totalitarianism. Finding the balanced ingredients for each country is no simple task.

Let us make a bird's-eye comparison of the various experiments now going on over the globe, to see how close they come to the ideal.

Excluding China, the Soviet satellites offer no new lessons for the rest of mankind because their tempo of capital accumulation was predetermined. They had no choice and no latitude. The Kremlin not only imposed the governments, the secret police and the political structures of these nations, but its own philosophy of "permanent warfare" with the capitalist West and its own tempo of rapid industrialization as well. There was none of the trial and error of early Soviet experience, nor any of the factional disputes on how to approach the peasant. Everything was cut and dried. The state in each of the satellites divided some land, collectivized rapidly, instituted massive five year plans, and in general manifested the typical Soviet disregard for the plight of the consumers or the safety conditions of the workers. As in Russia, new capital



was sweated out of the hides of the people through underconsumption and super-exploitation, by eating less and working harder.

The plight of the satellite people was made worse by the fact that Russia not only imposed rapid accumulation, but exploited the vassal populations in a manner that would make many an imperialist corporation blanche with envy. Those powers that had been at war with Russia were forced to pay substantial reparations, despite their depleted resources. In the first post-war years East Germany, it has been estimated, paid out the equivalent (at current replacement prices) of \$23 billion in machine goods, factories, and so forth. The burden of such an assessment can be gauged by projecting it for a country like the United States, which has nine times the population of East Germany. Such a reparation for us would cost \$207 billions, about 55 or 60 per cent of a year's total national production, a painful slice indeed. For a country like East Germany, on the morrow of a destructive war, it undoubtedly meant considerably more pain.

Added to this open exploitation "between Socialist states," was the imposition on the vassal states of "joint" companies and unfavorable trade practices. Anyone interested in details can find a graphic picture of this phenomenon in Vladimir Dedijer's book "Tito." Every single item was shaved to fit Soviet interests. A "joint" company of Russia and Yugoslavia for transport on the Danube, *Juspad*, charged Russia 38¢ for every ton-kilometer of merchandise, and Yugoslavia 80¢. The Russian director had no qualms about levying double rates on the "equal" partner. In estimating the value of Soviet and Yugoslav capital contributions to another joint company, the Soviet director figured Yugoslav goods at 1938 prices, when they were highly inflated. Milentije Popovic in his "Economic Relations Among Socialist States," estimated that in the Russian trade with Bulgaria the Soviets were getting 2.7 man days of labor for every 1 day they gave to their underdeveloped satellite. All kinds of techniques were used to achieve this end, paying prevailing world prices for commodities, rather than the higher prices that the satellite charged internally and valuing the ruble at far above its buying power. Such exploitation of the central European



“people’s democracies” undoubtedly mitigated the crisis within Russia itself. A newspaperman of world reputation who was in Russia after the war noted that there were more Czech shoes in Moscow stores than in Prague itself. For the satellites it imposed an additional burden on the already-staggering one of rapid capital accumulation.

The Soviet policy was not imperialism in the accepted sense, because it lacked many of the features of traditional imperialism, such as bolstering the old feudal classes. But it certainly bore a striking resemblance. The imperialists carried goods and capital out of the country they exploited to their own shores; the Soviets took supplies from the satellite powers at extremely low prices or free. This policy accelerated Russia’s own capital accumulation, hindered that of the satellites. The burden, of course, fell on the peasants and workers of the “liberated people’s democracies.” Capital accumulation here was as difficult and as painful, if not more so, as in Russia itself. The hardships were attested to by the many purges of leading Communists in Poland, Rumania, Czechoslovakia, Bulgaria and Hungary, as well as the many strikes and revolts of the oppressed peoples, the most notable being the East German uprising of June 1953. On occasion, as in 1953 and early 1954, the satellites took a step or two backwards, eased the consumer goods situation, as in Hungary. But these were the accepted Communist retreats. They were eventually followed by purges and other harsh measures, when the police felt more secure. As in Russia the new Stalinist countries were forced into vicious dictatorships precisely because the rate of capital accumulation imposed such bitter hardships on the mass of people.

The one Russian satellite that broke out of this orbit, Yugoslavia, illustrates by contrast the results of putting more balance between capital accumulation and living standards.

Yugoslavia was not a typical satellite because the country had been liberated from the Nazis primarily by its own efforts, rather than by the Red Army. The Yugoslav Communist Party had not been foisted on the people by Russian bayonets but had evolved into a great force in the course of battle. The Partisans were solid supporters of Tito, hailed his war-time reforms, his idealistic words, and his promise for the



future. But when the war was over this good-will was quickly dissipated. The Moscow economic pattern, slavishly imitated by all satellites, was a distinct letdown. A quarter of the land, the most fertile portion, was collectivized by state decree and the peasants were forced to sell most of their grain to the state at fixed, and, of course, low prices. Both measures were unpopular in the extreme. The country lacked tractors, fertilizers or any of the other necessities for large scale farm production. And the "buy up" drove the peasant to fury. He had to sell his grain at lower prices, many times lower than he could have received on the free market; and he had to buy goods in the state-owned stores at fantastically high rates. Most of the time there was nothing to buy at all, and his accumulated money was almost valueless.

In the cities the drive for industry was equally unrealistic. Yugoslav officials built machine tool plants in preference to textile mills. This emphasis had two important defects. First of all the machine tool (and other heavy industry) plants would not add to the consumer goods total for quite a few years; in the meantime a war-starved population would have to starve still longer. And secondly, it was most inefficient. A nation with heavy illiteracy could not convert itself overnight to provide the kind of literate workers who could read a complex industrial blueprint. German technicians who advised the Yugoslavs in this period tore their hair at the wasteful handling of expensive pieces of equipment. They said that the same kind of machinery could last five or ten times as long in Germany. Had the regime concentrated on simple plants like textile mills, it would have been far less costly. Such plants require much less skill to operate, they bring immediate consumption benefits, and they make more orderly development possible. Although the tempo might be slower to begin with, the ultimate results might be greater.

Figures advanced by Tito indicate that in this Stalinist period, a quarter or more of the total national income was going for capital investment. In a nation of only 17 million, with an annual income of no more than \$4 billion, \$918 million was invested in 1948 and \$1,176 million in 1949. If you add to this the normal costs of government and the military forces, it meant that about half the earnings of the



nation were diverted to the state. In a country where 11 per cent are reported to have perished in wartime, where material damage was particularly heavy, and where the standard of living was low to begin with, this was certainly a painful slice. To make matters worse the Russian "allies" insisted on the typical trade advantages and other concessions which augmented the sacrifices of the Yugoslav people.

The ideological dispute between the Kremlin and Marshall Tito essentially lay over this economic question. Tito resented the control of his economy from afar; when he attempted to modify it, he found himself on the outside looking in. His break was no well-thought-out result of ideological divergencies; nor did the direction of Yugoslav economics change overnight. But Tito did eventually draw certain ideological conclusions and did overhaul his economic policy. The Titoists promulgated the special thesis that after the seizure of state power a Communist state could move either towards democracy, as they claimed for Yugoslavia, or towards bureaucratic centralism, as in Russia. In attempting to implement this thesis the Yugoslavs found that democracy and "slower tempo" were two sides of the same coin, while bureaucratic centralism and rapid tempo were equally related. Tito, reporting to the Sixth Congress of the Yugoslav Communist party pointed out:

"Since we shall soon complete the last few key projects imperative for our further industrialization and the development of the country and in view of our tremendous difficulties and efforts so far, I think that we will in the near and distant future have to adapt our plans to our material, mental and physical possibilities. *The development of industry will not be as great as it was during the first five or six years of our capital construction*, but investment for agricultural, transportation and the social standard will have to be increased considerably." (My emphasis).

By 1950 the Yugoslav leaders decided it was essential to put more balance into their economic life. The system was thereupon renovated, and by mid-1953 it bore only slight resemblance to Moscow. The state "buy-up" was eliminated so that the price of agricultural produce approached its real value. The regime permitted each state enterprise to compete



against the other in buying and selling. Thus a sugar refinery in one area might buy sugar at higher or lower prices than in other areas. Both the peasant, and, as we shall soon see, the state enterprise were given a profit incentive. New collectivization ceased entirely and old collectives were liquidated in many areas. Tito clearly recognized that the nation must go through a period of private farming, supplemented by co-ops. One Communist leader after another expressed his admiration for Swedish co-ops: "if we only could develop the same forms we would be more than happy." Collectivization was indefinitely postponed.

In industry the state frankly admitted that it had overreached itself. Tito pointed out that "a series of projects had not been based on sufficient economic calculations." We suffered, he said, from "delusions of grandeur." In the future that was to be changed. The state was going to finish what was already planned, but it would not start any more big key projects until the economy had developed further. Capital investment went down, instead of up. In 1950 it was a little over a billion dollars, \$150 million less than the year before. In 1951 it went down another \$150 million and the following year still further, to only \$866 million. This was precisely the reverse process to the Russian where the level of investment rose from year to year, even upwards and ever at the greater expense of the citizenry. Moreover Yugoslavia could smooth its efforts with substantial gifts and loans from the West—more than a half billion dollars in the first few years. At one time Stalin had offered (although had not given) Yugoslavia \$135 million in credits, and the Titoists had considered this a great sum. Now the larger sums from Britain, America and others was a far greater help, particularly in 1950 and 1952, two years of drought.

To spur the economy further the Yugoslavs developed a unique profit incentive for improving production and productivity. Each factory or other economic unit, though state-owned, was permitted to function as a "private enterprise." Theoretically it could produce whatever it saw fit, sell it at any price it saw fit, advertise, buy abroad and sell abroad. The controls imposed by the state were indirect, rather than direct. Thus while a factory could change over from making



tools to making hairpins, it had to produce a very much larger amount of profit on hairpins than on tools before it earned any profit for itself. Controls on imports were also indirect. The factory could buy equipment or raw materials abroad, as it saw fit, but a government money exchange pegged the price for foreign valuta so high that it hardly paid to order anything outside the country except in an emergency. On the other hand a company that sold goods abroad received a number of times what that merchandise brought at home, because of this disparity in the rate for valuta.

The mechanism of this new system was a peculiar combination of Socialist ownership and Capitalist incentive. The workers in each economic unit were organized as a "workers' collective." The Workers' Collective in turn elected a Workers' Council which had the power to decide on production policy, like a board of directors of a corporation. A sub-committee of the Council, the Management Committee, met with the plant manager on a regular daily or weekly basis to implement Council decisions. The function of these three organs, the collective, the council and the management committee, was to make as big a profit as possible. All profits over a certain figure belonged to the workers themselves to be divided by them. The state would assign a specific "wage fund" to each factory or economic unit. Let us assume it was 10 million *dinars*. The Workers' Council then negotiates a wage pact with the trade union, setting the wages and piece work rates of the various types of employees to conform with that 10 million *dinar* budget. Based on that wage fund the state also assigns a "rate of accumulation." This is strictly in conformity with Marx's theory that only labor is responsible for profits, that labor adds to the value of raw materials and machines a value greater than the price (wages) paid for labor. The rate of accumulation is therefore correlated with wages, rather than the total cost of raw materials, depreciation, rent, and the like. If the item produced by the factory is important to the economy, machine tools, for instance, the rate of accumulation may be relatively low, say 50 or 100 per cent. If it is something considered less essential the rate is very high, many hundreds per cent. Thus while each enterprise is free to make or sell what it sees fit, the manipu-



lation can easily channel production where the state wishes it to go. The surplus earned by each enterprise goes for depreciation, social benefits for the workers, and new capital investment both in the enterprise involved and for the state. But beyond the rate of accumulation, the remainder (up to a certain point when it begins to taper off again), goes to the Workers' Collective, for distribution among the workers. According to government figures for 1952 this meant bonuses for almost all employees of one to six month's wages.

The instrumentality of the market, plus sharp competition between state enterprises pushes each toward efficiency. Yugoslav newspapers and Yugoslav radio stations carry advertisements praising the virtue of one state product as against another. Prices of a particular commodity vary from store to store and from city to city. Certainly as far as the city worker is concerned this system has been a visible improvement over the past. The stores of Belgrade in 1953 were filled with merchandise. By comparison with 1950 it was paradise. Textiles were still in short supply, but otherwise there were innumerable goods and daily necessities that did not exist a year or two before. The free market, competition, the slower rate of capital accumulation and the substantial capital gifts and loans from abroad, were a boost to the living standards of the mass of people. They also enlarged the arena of democracy in contrast to the early days of Titoism, before the break with Moscow. Not that Yugoslavia became a democratic country overnight, but much of the repression vanished and most of the fear. In 1950 forced labor projects were visible in the streets of Belgrade itself. Peasants were given short sentences for failing to deliver their grain quotas to the state. By 1953, according to the most hostile western observers, this was a thing of the past. Prisoners at the dock were being given western-style trial, with lawyers arguing vigorously against prosecutors and judges frequently ruling against the state. Nocturnal arrests, searches without warrant and many other abuses went by the wayside. Elections in the unions and for many state bodies were now by secret ballot, with a state law providing that there must be at least twice as many nominees for each post as were to be elected.

Every foreign observer has noted these changes. The Yugo-



slav citizen still did not have the right to form opposition groups or parties, and there was still fear in the air that all this may soon pass away. Certainly the state was powerful enough to impose a Stalinist form of police terror again anytime it wished. But in this period the trend was in the opposite direction. It has not reached full democracy by any means, but there was no doubt of an improvement.

The Yugoslav experiment, like the Russian, poses many perplexing problems for the student of politics. Granted that a regime can reduce its tempo of accumulation, granted that it can raise living standards, can it also disgorge itself of the political power it has accumulated? The Stalinist machine ossified after years of pandering to a new bureaucratic class. Titoism had only three years of this pandering and bureaucratic consolidation. It never permitted the material privileges that the police and administrators in Russia accrued to themselves. After the break with Moscow it shut down the special low-price stores for the army, police and political figures, and took other measures to cut the privileges of the state and Communist leadership. But notwithstanding such improvement, the three, four, five, six or eight years of Stalinist economics (depending on when you start, 1942 or 1945, and when you end, 1948 or 1950) is still a long period. And the Tito regime, when it broke from Stalin's orbit, was still dictatorial, centralized and quite harsh. Can such a regime move all the way to true democracy?

In January 1954, Milovan Djilas, a vice-president of Yugoslavia and probably its number three man, was stripped of power when he suggested that there was not enough democracy, that the Communist League was acting as a secret caucus in the mass organizations and that there was not enough room for new ideas. Djilas, only a few years back was defending the "democratic" character of the one-party system as the highest form in the world. But once the doors were opened to a little bit of democracy, and once he came into contact with western Socialists like Nye Bevan, his perspectives changed towards a more thoroughgoing freedom for the individual. Tito, too, probably would welcome such democracy; only a neurotic dictator prefers the mass hostilities of totalitarianism to the popular plaudits of a democracy. When a



political leader turns away from democracy it is usually for compelling reasons. In Yugoslavia, in the early days after the war, the compelling reason was the too rapid tempo of accumulation. Now that the tempo had been cut and living standards improved somewhat there was an objective basis for more democracy. The regime became a bit more popular, especially with the working class. Certainly Tito and his entourage are human enough to enjoy a little more genuine popularity than the sham "Zivio Tito" signs which Communist members plastered all over the cities and villages back in 1948 or 1947. But can this trend continue further to full democracy? We don't know. History, rather than conjecture, will have to supply the answer.

A revolution is made by a class or an alliance of classes which are the underdogs. Usually they have few weapons and few resources, except mass support. Where a revolution is violent it always ends in power being concentrated in a small group, and in the final analysis possibly in one man who controls the instruments of force. This group although it promises greater democratic rights, has the wherewithal at that point to rule without mass approval. Sometimes it continues that way, like Napoleon Bonaparte and Carnot. Sometimes it disgorges itself of its power and slowly gives it to the people, as the American Revolution did with its steady accretions of democracy after the critical years of 1783-89. The growth of popular will and the growth of economic facilities seem to be related. Where one situation continues a dictator in power, the other makes it possible to disgorge power. In America that took place without further political revolutions from 1789 to 1861. In France it needed a number of political revolutions in 1830, 1848 and 1871 to achieve the same goal.

The Yugoslav Titoists recoiled from Stalinism originally because they did not want to be an economic vassal to the Kremlin. But in recoiling, they soon learned that they had to revamp ideas on industrialization. In life itself they soon discovered that the politics of Stalinism flowed from its economics. Hence to change one meant changing the other. What Tito did was to reverse directions. Industrialization was still the motif, just as under Stalinism, but it was to be a "balanced" industrialization with the political goal of more mass



support. Politically that meant leaning increasingly on the working class, even though it is only a small minority, rather than on a bonapartist bureaucracy. It meant seeking more capital from abroad and from abundant mineral resources, rather than trying to squeeze it out of the hides of the peasantry. For the time being the peasant was to be permitted some tranquility.

A ten year plan for agriculture has been projected which will spend five times as much in the villages as has been spent in five years in industry. This is a remarkable investment if the costs of it are not to come out of the peasant's dinner-pail. Yugoslavia's downtrodden agrarian is no friend of the regime, even today. All that can be said is that his enmity has been moderated since the bleak days a few years back. It will take a full-fledged program of improving agriculture without destroying peasant living standards before the villagers can be wooed to the regime. It is this luke-warm attitude in the rural areas which probably underlies the dispute between Tito and Milovan Djilas. Tito undoubtedly is anxious lest full-scale democracy at this point, before economic improvement becomes substantial, could lead to a loss, or at least a diminution, of power by the Titoists and a considerable setback for industrialization. The peasantry in an underdeveloped country does not have the same goal of industrialization as either the Capitalist class or the working class.

To give the peasantry more political weight would also mean more economic concessions. Presumably Tito doesn't feel such concessions possible if the current rate of accumulation, even though curtailed, is to be continued. On the other hand, without more democracy the state stands to lose in its campaign for genuine co-operatives in the villages. The co-operatives will not flourish under force and duress; they need the political atmosphere of Scandinavia to really increase agricultural production. Democracy not only is an attribute of more production (and less *forced* savings) but also a stimulus to still more production (and still less *forced* savings). Wherever a country in the midst of its revolution fails to adopt full democracy it can only mean that it has not yet achieved the correct balance between capital accumulation and the standard of living.



Yugoslavia is an example half way between Russia and Israel or between Russia and Burma. It may continue further in the direction of social democracy, despite the Djilas incident, or it may again reverse towards unabashed Stalinism. No one can make a prediction on this score because it all lies in the subjective realm. Tito, and Rankovich's UDBA (secret police) have the power. How much of it are they willing to give up? How rapidly are they willing to give it up? And how thoroughly do they understand the correlation between giving it up and making changes in the tempo of accumulation and the types of state investment, consumer goods or heavy industry? The positive phase of social revolutions aimed at industrialization have been studied all too little and have elicited few lessons in our generation. The Titoist experiment obviously can not be brushed aside as "Stalinism" because it has already cut the umbilical cord. It remains to be seen how much further it can go and how much of a guidepost it can be for other social revolutions.

The contrast between Yugoslav development and that of other nations now industrializing is, in the last analysis, not one of ideology (although ideology enters into it) but of the means and the uses of capital accumulation. In the rainbow of current revolutionary countries, Israel probably stands at the extreme opposite end to Russia or the satellites. Israel is combining a very rapid tempo of development, a large accumulation of capital, with the widest democracy for its own Jewish people.

This fortunate combination is due to no special virtue of the Jew or of Zionism. It flows instead from the simple economic circumstances that so much capital has come into this small country in the form of gifts and loans. A small nation of one and three quarter million people, it attracted more than a billion dollars in the first five or six years after the Arab-Israeli war. That was twice as much as Yugoslavia received in foreign aid up to 1953, although Yugoslavia has ten times the Israeli population. It was almost twice as much as India spends each year on its Five Year Plan, two or three times as much as India has received in foreign aid in the same period, even though Indian population is two hundred times as great as that of Israel. Per capita-wise the disparity



is more glaring. Israel received twenty times as much as Yugoslavia, four to six hundred times as much as India. The Israeli insist that much of that money had be used for re-settling Jewish refugees from other countries. But Yugoslavia and India had problems of resettlement too. Some fifteen or twenty million shifted homes between India and Pakistan, for instance, in the year after independence. Israel certainly has enjoyed the greatest percentage of gifts and loans of any underdeveloped nation in our times. Therein lies the source of its democracy.

This foreign largesse does not detract from the industriousness of the Israeli, the democratic traditions of their ruling party, Mapai, and many other enviable characteristics. But none of this could have stood the test if it were not for the imposing sums sent to Israel by more fortunate Jews in America and by western governments anxious to repair some of the damage to a people that suffered so greatly at the hands of Hitler.

The Israeli social revolution is interesting only from this point, that it had the necessary wherewithal in capital to sustain democracy. Otherwise it is an unusual affair that will probably never be duplicated anywhere else. It combines progressive and reactionary features that are difficult to disentwine. Its treatment of the Arab refugees and the Arab minority remaining in Israel leaves very much to be desired. Its long term goal of a separate *Jewish* state, rather than a bi-national state is thoroughly unrealistic. It does not seem possible that a Jewish island can remain entrenched in an Arab sea. But with all this on the minus side, with all the peculiar circumstances of Israel's birth, the fact remains that here is a nation which is tackling both the negative and positive phase of social revolution in a healthy manner. In that sense it stands as a beacon.

The Israeli revolution was a social wave from the outside rather than an eruption from within. It was an imported revolution, with one large group of people who had a Socialist and partially Capitalist orientation, replacing another which had a feudal background. What happened was that an outside group from Europe established a mixed Socialist-Capitalist



beach-head on the Arabian peninsula and eventually drove the established feudal society to another area.

The expulsion (according to the Arabs) or voluntary departure (according to the Jews) of 800,000 Arabs, (living for the most part under feudal land tenure), in favor of an influx of 720,000 Jews who continued the Socialist and Capitalist agriculture of the Jewish minority of Palestine, the *kibbutzim* and *moshavim*, this eruption of populations was a decisive factor in the social changes in Israel. But the change tended also to affect the remaining pockets of feudalism. In the Arab area of Israel the Arab *Mukhtar* and his autocratic powers was replaced by a democratically elected local council. The Arab *fellah*, for the most part, rented his land from the state at 50¢ to \$1.25 per dunam (four dunams to a hectare) instead of from a landowner at 50 or 60 per cent of the yield. Most landowners were gone; those who remained no longer had the power to adjudicate disputes or tyrannize the *fellah* in any way. Feudalism was uprooted bag and baggage. Absolutely nothing remained of it.

In its place the country is introducing western culture, western medicine and health standards, and western industrialization. It is reclaiming land, harnessing water resources and irrigating farm areas at a pace probably never achieved anywhere in the world at such a tempo. In four years the number of irrigated dunams rose from 230,000 to 550,000. In the second four years the Israeli government expects that figure to double and within fifteen years to rise to four million dunams, capable of supporting a population almost three times the size of the nation in 1952. From an overwhelmingly agricultural country the nation has been urbanized. Only 19 per cent of the people live on the land. The government would prefer to raise this figure to 25 per cent so as to give the economy more balance. But that would still be only a ratio of one person on the land to three in the cities. Farming has become so mechanized that such a change is possible.

It should be re-emphasized that the relationship of agricultural population to urban population is a fairly sound barometer of industrial development. In most underdeveloped countries it takes five, ten or twenty people in the villages to produce enough farm surplus to feed one person in the city.



As industrialization takes place this ratio changes, soon it becomes equal, and then the village population begins to fall below the urban. In America the barometer of industrialization can be gauged by the fact that forty years ago one farm worker produced enough surplus to feed eight persons, today it is fifteen persons and by 1975, if all continues as at present, it is expected to mount to twenty-one persons; a farm population of only five per cent will be able to feed the whole nation.

Israel's low percentage of only 25 per cent on the land to feed the 75 in the cities suggests a high degree of industrialization. Moreover that industry was built in an abnormally short time. Side by side with agrarian mechanization went industrial development that meshed with it. Cement and metal pipe factories soon supplied the country's needs for irrigation pipes, where yesterday they had to be imported. Chemicals, plastics, paper, building materials, oil, ceramics, mining were all growing up on a modest but substantial enough scale. To give some idea of the mushrooming of industry it is enough to note that agriculture in 1950 amounted to less than ten per cent the total national income, while industry was almost a quarter and construction, trade, finance and communications accounted for another third. This is a highly developed capital structure. and most of it was the result of only a few years of effort.

By comparison with the Russian first five year plan it stands out sharply; first because its tempo was probably at least as fast, possibly even faster than the Russian tempo; second, because it was accomplished in a political climate of democracy. We don't wish to belabor this comparison, because one country has less than 2 million people and the other 200 million. But the problems of capital accumulation are pretty much the same. It is, in fact, probably more difficult to industrialize a nation of 2 million than 200 million. Yet Israel can boast of fifteen separate political parties, a whole host of daily newspapers each fighting each other, absolute freedom of speech and assembly. The tempo of capital accumulation was exceedingly rapid but capital imports were evidently large enough so that the population suffered only a minimum of hardship. This was the underlying root of the prevailing democracy.



The famous Dr. Walter C. Lowdermilk said of the Israeli: "The Jews are in fact doing the finest reclamation of old lands . . . of modern times. I am convinced, after studying the relation of peoples to their lands in twenty-six different countries, that these colonists have done something new under the sun; they are working out a lasting adjustment of a people to their land . . . They have managed to achieve a European standard of living in the midst of the backward, depressed subsistence economy of the Middle East . . . Their approach to the problem of industrializing subsistence agrarian economies promises a new day not only for Palestine and for the Middle East, but for the world at large."

Dr. Lowdermilk's enthusiasm reflects the Israeli vigor. After only four years the people of this small nation had a higher per capita income by twenty per cent than the Russians after 25 years of Stalinism. In barren land, far less rewarding than Soviet resources, they had increased agrarian productivity many times over, and again without collectives or other coercion.

It has been argued, of course, that the Israeli experiment was not only fortunate in receiving such large capital sums from abroad but in the resources of the Arab refugees which it expropriated. The fact of expropriation, or at least partial expropriation, is both undeniable and deplorable. But the old Arab majority in Palestine, even had it received the same amount of gifts and loans from abroad, could never have achieved anything like Israel has. It was too steeped in feudalism, too inflexible, too anti-industrial in essence. The Israeli revolution, despite its special and peculiar character, is real. Both real and impressive. Unfortunately its impetus was a frustrated nationalism, and its capital accumulation was a coefficient of humanitarian sympathy for the millions of Jews killed by Hitler, rather than a simple desire to industrialize the under-industrialized world for its own sake. It makes one wonder whether it will take similar world tragedies before mankind as a whole can work similar miracles in other, more important, areas of the world. But placed in perspective, the contrasts between Russia, Yugoslavia and Israel are most revealing. Russia with a very rapid tempo of capital accumulation but with no foreign aid, imposes a policy of ruthless



forced savings—underconsumption and super-exploitation—on its people. Israel with a very rapid tempo but with considerable foreign aid (equivalent to about two years of its national income), imposes only relatively slight sacrifices on its people. Yugoslavia, with a rapid but declining tempo attempts to mitigate the sacrifices of its population.

Whether Israel can continue its original tempo or not, whether it can exist as a Zionist oasis in predominantly feudal Arab milieu remains to be seen. My own view is that it will be difficult if not impossible. Zionism, with its thesis of “ingathering the exiles,” makes for permanent hostility with the surrounding Arab nations and thus curtails the economic effectiveness of Israel. Unless it can sell to its neighbors, unless it can cut its military expenditures, it faces crisis for many decades. But that is a political matter beyond the scope of the present analysis. What is significant in the saga of Israel is the lesson of its “imported” revolution. Here is a non-Communist country destroying feudalism as rapidly as the Communists do it. Here is a non-Communist country that achieved a phenomenal rate of industrialization and mechanization, *without* subverting democracy. This is the first such occurrence in our post-war world.

In far away Burma there has been still another attempt at a “magic formula.” Here for the first time in history a democratic method of capital accumulation has been pitted against a Communist method and has emerged victorious. The Burmese revolution has contended not only with the heritage of imperialism-feudalism, not only with the pressure of Communist China from the North, not only with “simple” Communism in Burma, but with a five-headed civil war that has sapped its energies for the better part of a decade. Yet, under such adverse circumstances it has made steady progress, it has weaned the people away from the Communists, it has shown how Stalinism can be fought with a minimum of guns and a maximum of social offensive. It has tackled both the negative and positive phases of its revolution with a democratic vigor that not only has isolated Burmese Stalinism but offers a solid formula for combatting it elsewhere.

Whether Burma can continue this balanced approach depends on many external and internal factors. The country



is so backward, so young and so undeveloped that the elementary task of finding the manpower for leadership is in itself imposing. Prior to the program of industrialization, there were only four architects in all of Burma. How to launch a program of housing and construction with only four architects is typical of the obstacles confronting the new nation. The heads of the Socialist Party, the real heart and brain of the Anti-Fascist People's Freedom League which rules the country, are young, new to the role of leadership, and thoroughly overworked. Men like Kyaw Nyein and Ba Swe are pragmatic and sincere but they obviously cannot do everything. The country lacks trained personnel, technicians, scientific thinkers. To complete a social revolution under such circumstances is obviously formidable; and to maintain democracy in the midst of both civil war and the process of capital accumulation is something of a miracle.

Burma is a small country of some 30,000 villages and 18 million people. Unlike India or China it is a "rich" country with a surplus of land. About 12 million acres are under plow and the state plans to reclaim and distribute ten million more. The monsoons are regular, the land rich, famine seldom a problem. Had the pre-war profits of the British and their Indian allies remained in Burma instead of taken out, the country might have become an advanced Capitalist or Socialist country. But British rule, established from 1824 on, was typical of imperialism; despite the wealth of resources the standard of living went down. Sir Bernard O. Binns, a prominent revenue authority, points out in one of his surveys that, "foreign landlordism and the operations of foreign (mostly Indian) moneylenders, led to an increasing exportation of a considerable proportion of the country's resources and to the progressive impoverishment of the agriculturist and the country as a whole." J. S. Furnivall, a world-famous economist who has specialized in Burmese affairs, notes that "with each extension of British rule the first result was to put more money into the pockets of the cultivators by opening a market for the disposal of their produce. But the trade returns show that in 1940 Burmans were less well fed and less well clothed than in 1900." Consumption of rice fell by between ten and



twenty-five per cent between 1920 and 1940, despite the steady growth in British profits.

By the time of World War II, Burma was ripe for revolt. A group of thirty militant students, tired of waiting for the British to implement their promises of freedom, made their way to Tokyo to work with the Japanese in an effort to "liberate" their country. The students were sincere, but somewhat naive. They soon discovered that the Japanese were no more interested in real independence than were the British, that they too looked on Burma exclusively as a source of imperial profits. Thereupon the group of Thakins, as they were called, deserted the Japanese, formed a resistance movement, and helped Britain reconquer Burma.

In the process of war and resistance, however, the nation became a shambles. A distinguished economist claims that no country suffered more destruction relatively. Two and a half million acres of rich riceland became useless jungle and one-sixth of the 30,000 villages were reduced to scorched earth. The shipping flotilla, the oil wells, lead mines, port installations and electrical equipment were all wrecked. Two major campaigns over the length of the country demolished tens of thousands of homes and forced millions to flee. Half the national capital was lost and production was reduced to only 57 per cent of pre-war. In industry, petroleum and mining it was much less than that.

If this economic chaos were the only problem, Burma could have resolved it easily. But the nation was soon caught in a five-pronged vise. Immediately after the end of the war a minority group of the Communist Party, influenced by the prevailing leftism of the Indian Communist Party, insisted that the only way to achieve independence was to take arms against the British. There was no sense, according to these Red-Flag Communists, in negotiating with London; the only answer was to take to the hills. And take to the hills they did.

This defection would have been of little significance if the majority of the Communists had not followed suit a couple of years later. The majority group, the White-Flag Communists, was led by Thakin Than Tun, the first Secretary-General of the Anti-Fascist People's Freedom League. Than Tun was caught in the cross-fire of the changing Communist



line. Until 1948 he had followed a moderate course and had in fact been ordered to recant his "Browderism." As late as January 1948 he had pledged support of the independence agreement with Britain. But then the line changed; the White-Flag Communists charged that the government was "acting as a weapon in the hands of Imperialism against the people"—and also took to the hills. Soon they were followed by a sympathetic group in the People's Volunteer Organization, the White-Band PVO's. As the power of the state continued to disintegrate, the powerful Karen tribesmen joined the avalanche. Spurred on by the British, they demanded full independence and when they were turned down, became the fourth group in the civil war. The state could grant cultural autonomy to the Karens, but since they were divided between two sections of the country and were mixed in with other peoples, full sovereignty was impossible.

Finally, as a backwash from the civil war in China, the AFPFL was confronted with a fifth enemy. When Mao's forces defeated Chiang Kai-shek, twelve thousand Kuomintang soldiers pushed across the border into Burma to avoid arrest. On entering Burma they should have yielded their weapons and been disarmed; but they insisted instead on remaining an intact military force using Burmese soil as a future jumping-off base to re-enter China. The Burmese government obviously could not accept such a position, but it also did not have the military force to expel this fifth group while fighting all the others.

Such an array of difficulties, economic, political and military would be enough to torpedo almost any government. But the tenacious men of the Socialist movement clung to their goal of a democratic, industrial Burma; and, as these words are written, they have worked a miracle.

The true measure of that "miracle" is evident when you compare the divergent destinies of Burma and Indo-China. Both are bounded by Mao-ist China on the north, both have a common background of hatred against imperialism, and, what is not well known, both had Communists leading their anti-imperialist movement after World War II. Communist Thakin Than Tun was the secretary-general of AFPFL, Communist Ho Chi-minh was leader of the Viet Minh. Actually



the Burmese seem to have been under greater Soviet influence than the rebels of Indo-China. Yet by 1953 a quarter of a million French troops, spending one and a half billion dollars a year (\$500 million of it American) were able to hold securely (at nightfall) only eight per cent of Indo-Chinese territory. The insurgents were so strong that they had their own government in a sizeable area which the French could not touch and they eventually forced through the armistice which gave them the northern section of the country.

In Burma, on the other hand, the government had an army of no more than 50,000, one-fifth the size of the French, and spent only a tiny portion of what the Great Powers were spending. Yet the Communist groups were isolated and beaten, reduced to the status of mere *dacoits* (robbers), without any influence among the people and without any contiguous geographical unit in which they could form a government. They could only hit and run. If it were not for the presence of the well-armed Kuomintang troops in the North, which prevented full use of the government forces, the Communists would have been completely beaten.

It must be conceded that the Burmese Socialists were helped by the sensible withdrawal of the British. The Communists in Burma could not wave the flag of anti-imperialism and capitalize on the bitter hatred of the white man, as could Ho Chi-minh in Indo-China. However the Burmese Communists were favored with a monopoly of mass support, a confused and unorganized adversary, and a chaotic economic situation. Here certainly was a fertile field for Stalinism. What's more, they were ready. The trade unions, the large peasant organizations, the youth and a big portion of the military forces were in Communists hands. On the eve of civil war the Communists were able to mobilize 75,000 peasants to a conference at Pyinmana. In addition almost all the Socialists, now the core of government, were less anti-Communist than non-Communist. As Kyaw Nyein puts it: "We all looked to Moscow as our main friend. We had been brought up on Communist literature, and though we had some reservations about their totalitarian methods we were far from hostile."

Had the Communists played their cards sensibly they might



have fared well. But Stalinists are Stalinists the world over, given to autocratic methods and slavish imitation of either Moscow or Peking. If they come upon an adversary who refuses to feed grist to their mill and who meets their fraudulent propaganda with resounding progressive deeds, the results are inevitable retreat for the followers of the Kremlin. That is what happened in Burma from 1948 onward. The Socialists, though isolated to Rangoon while the rest of the nation was in insurgents' hands, caught their breath, threw up a stopgap military defense, and placed their main emphasis on a political-social offensive. The issue was fought with guns, of course, but primarily it was fought with two different approaches to capital accumulation. The Communists, slavishly following Mao, took over all the land of rich and poor alike, divided the acreage by the number of people in the area and bureaucratically split it into "equal" shares.

"Rich" landowners, many of them peasants who had merely had a little more land than others but employed no outside labor, were harried and often killed. In the Prome area the Communists killed the members of the Land Committees. Sale of paddy to government areas was prohibited and when the price slumped and the peasants began to starve, the Stalinists granted a monopoly to private rice mill owners and rice merchants to buy up the crop at depreciated prices. The ill-gained profits were shared between the private monopolists and the Stalinists insurgents, while the horrified peasants grew wan from hunger. A decree was issued that no man might own more than one suit and 5 *kyats* (one dollar). Even cattle were taken away and divided on an artificial basis.

The AFPFL government wrote of this period that Communists methods were a "direct transplantation of other countries' practices without examining whether they are suitable in the peculiar conditions of Burma. If power is seized by armed struggle in Russia and China so must it be seized in Burma; if land is distributed per head in China so must it be distributed in Burma; if People's Courts are established in China so must they be established in Burma. But the result is confusion and disillusion."

The Communist tactics made enemies quickly. Each peasant might have the same acreage as his neighbor but one



holding might be close to the river and irrigated, the other might be on a barren hillside. One peasant might have a large family capable of working a sizeable tract, another might be incapable of plowing even a single acre. Formal equality on paper was no equality at all, and a "land reform" that didn't offer credit for seeds and animals, that didn't protect the peasant against speculators (even though the speculators had Communist approval), that didn't organize co-operatives and failed to provide industrial items such as fertilizer and steel plows, such a "land reform" could only end in a fiasco.

What the purpose was behind Communist "reform" is difficult to grasp. Burma was not suffering from landlordism since most of the Indian *chettiyars* (money-lenders) who had foreclosed the land over the years and had become its owners, left when the Japanese came. Peasants were not paying rents anyway. Furthermore there was plenty of land around for any cultivator who wanted to reclaim it. Simple division would neither increase agricultural produce nor yield greater surpluses for capital accumulation. The whole thing made no economic sense, unless of course it was to be a prelude to forced collectivization. But the Communists never had an opportunity to put this second phase into effect. The results of their efforts were met with such hostility that the Socialists had no trouble wooing the peasantry from Stalinism.

The Socialist land reform was based on realities. With civil war raging and without any industry to sustain big scale farming, they contented themselves with more modest measures and prepared for the future. The debts owed to the *chettiyars*—far and away the worst peasant grievance—were cancelled outright. Rentals on land were reduced to only twice the tax, about \$1.60 per acre. Hitherto the peasant had no occupancy rights; he could be shifted from one piece of land to another at the will of the landlord. Now a tenancy disposal board was elected by the peasants in each village to guarantee occupancy rights and see to it that no one was shifted to a tract that would not provide him a living. The state loaned millions of dollars to the peasantry to buy seed, cattle and other needs. Thirteen million dollars of such loans were cancelled when the regime realized that recovery was difficult.



Abrogation of debts and securing of land tenure had the same effect on the peasant as formal land-ownership. He was now beholden to no landlord, no money-lender. The early Socialist palliatives made more sense to him than the mechanical methods of the Communists. Furthermore, no peasants had to be killed in implementing the program. The peasant, attracted at first by the slogans of Stalinism, now veered towards the more solid reforms of the Socialists. He no longer welcomed Communists to his village, no longer hid them from the advancing government army. Without mass support the Communist cause was hopeless; it could harry the regime, hit and run from shelters in the woods, but it could not take the offensive, nor undermine the government.

The Burmese Socialists soon broke out of isolation, gained hegemony of the unions and peasant organizations, reconquered their lost territory. The Communists were badly isolated. By 1952 the moment seemed propitious to take the next step, to industrialize. Industrialization would bring cement, fertilizer, electrification, irrigation and other necessities to the village. It would make possible a real improvement in agriculture while living standards continued to rise.

The Pyidawtha eight year plan was based on solid democratic foundations that would involve a minimum of sacrifice. The state already had a "nest-egg" of \$250 million in foreign valuta as a cushion for industrialization. By taking over foreign trade and selling paddy on a favorable world market, at 60 or 70 per cent above the internal price, Burma had made an appreciable profit. Internal capital formation ran to between eight and twelve per cent of national income. For a country whose total product and services amounted to only \$600 or \$700 million annually such a moderate—though substantial—rate of capital formation made progress possible on a balanced basis. The people of Burma, although they had not yet attained pre-war levels, were visibly better off from year to year, in fact from month to month.

The Pyidawtha Plan provides for large scale irrigation projects and considerable industry. Three private American firms have played a major role in its formulation. To give the peasantry an incentive, the state has offered free land, loans for seed and cattle, plus tractors and other machinery,



when available, to any group that will form a mutual aid team. These groups of four or five families are to receive a few hundred acres of land which they will work in common, but each family will own one section privately. If this plan works, the state will move forward some years hence to combining four or five mutual aid teams into a collective with greater machinery facilities, fertilizer and so on. The program is geared however to the material advance of the country, not to the mechanical use of state force. It is hoped that the ten million acres available for resettlement will stimulate the peasant to a higher form of agriculture.

In the industrial field a whole series of ventures are now on the drawing boards and in the contract-letting stage. Plans for irrigation dams, hydro-electric development, new plants, model housing villages, many hospitals, rebuilding of old industries like oil are moving towards reality. An American engineer was employed to develop a coal mine in the north that would meet most of the country's needs in a few years, and a mixed firm, based on private British capital and Burmese government funds, was assigned to drill again in the neglected oil fields which formerly accounted for a considerable portion of Burma's exports. Thousands of new apartments and buildings were nearing completion and others planned. Over eight years it is expected that something like \$1,500 million will be spent to double the nation's income and lay the foundation for a healthy industrialization.

Thus, despite what amounts to a Communist *counter-revolution*, the regime in Burma has been able to undermine feudalism and lay a firm foundation for the positive phase of its revolution. And it has gained its successes precisely because it was never willing to increase capital accumulation and forced savings beyond the point where democracy became impossible. Even in the midst of civil war the Communists were permitted to have their own political party (The Workers' and Peasants' Party), in Rangoon, and their own trade union. The Karen rebels were permitted to have their own political movement even while their brothers and co-conspirators were shooting at government troops in Salween. In the midst of civil war the right to strike was zealously protected. Socialist unionists every now and then struck against their



own government. Usually, after a short period, the strike ended in partial or complete victory. In the midst of civil war, in a very backward country, such democratic rights reflected favorably on that country's total course.

Behind it all, was the sensible approach to capital accumulation and investment which the Socialists had come to by pragmatic means rather than preconceived notions. Since their guiding political motif was democracy and their break with Stalinism was precisely over this point, they fitted their tempo of accumulation in accordance with it. Unlike the Yugoslav Titoists who had already gone through a period of years of Stalinist development and rapid tempo, they were only at the beginning of their development when the break with Stalinism came, and they were unencumbered by vestiges of totalitarianism. The result was a far more balanced and equitable outlook for economic growth than the Russian or Chinese systems or even the Yugoslav system showed. If and when they complete their eight year plan successfully, the Burmese will prove more thoroughly than any country yet that democracy and a decent rate of development *can* go hand in hand. The Israeli experiment is artificial because of the replacement of Arabs by Jews and because of the import of so vast a sum of free capital. The Yugoslav experiment is a developing one, moving *towards* democracy but not yet at the point of democracy, nor necessarily assured that it will ever reach it. The Burmese experiment, despite civil war, has kept closely both to revolutionary progress and democracy.

How fast? The dilemma of revolutionary development is best illustrated by the contrasts between China and India. Two Goliaths, with 850 million people between them, they approach the problem from entirely different angles. One goes too fast and is rapidly Stalinized. The other goes too slowly, maintaining democracy, but being outpaced by the march of its population. The Chinese revolution, initiated by Sun Yat-sen in 1911, when he led the assault against the decadent Manchu dynasty, marked time until the Mao-ists took over in 1949. Now it has changed from a revolution in suspended animation to an *over-dynamic* one. The Indian revolution which only achieved state power in 1947 has been *under-dynamic*.



Both China and India are at the bottom of the economic ladder. United Nations figures list Chinese per capita income at only \$27 a year, Indian at \$57. Probably the Chinese figures are low, but total national income can hardly be more than \$25 billion in China, \$20 billion in India. (By comparison, the U. S. with only one-third the population of China has an income of \$360-\$400 billion.) To industrialize such underdeveloped nations is a task beyond comprehension for us westerners. Consider the problem of population. Despite disease and famine, Indian population jumps 1.25 per cent a year, about four million people; the Chinese population increases even more. Where can India (or China) find the additional land and the additional food for forty or fifty million people each decade? And with such a load how can it put aside the funds for industrialization?

As things stand there is hardly more than an acre of cultivable land for each peasant and member of his family. Seventy per cent of the population in India lives on the land, probably 80 per cent in China. Production is so primitive that it takes three or four people in the villages to provide enough of surplus to feed one man in the city. In India there are some 424 million acres of cultivable land. But less than two-thirds are actually cultivated, in a nation of 363 million. Thirty-five per cent of the village inhabitants are landless laborers, the same percentage are tenant farmers. Of the rest, 15 to 20 per cent own only two or five acres. Where can the land come from to satisfy so many landless laborers? If all the land were reclaimed and if it were divided equally, it would hardly mean more than an acre or two for each villager. Such uneconomic holdings probably would not increase the total yield of agricultural produce; and if they did they would certainly not yield a greater surplus for the cities or for export. The peasant would increase his own diet appreciably before he sent grain to the cities.

Nor would simple division of land solve the problem of under-employment. Fully one-quarter of India is unemployed or under-employed. Holdings of one or two acres per person would hardly absorb the full energies of these 90 million. Presumably the state should industrialize the cities and shift the surplus village population there. But such a "little" task



is staggering for an impoverished nation like India or China. Indian savings are only five per cent of the national income, a billion dollars or thereabouts per year. If we assume that it takes \$2,500 of investment to place one worker in light industry (many times that much, of course, in heavy industry), at least \$25 billion is needed just to move ten million peasants from the village to the city. And \$25 billions happens to be twenty-five years of the total national savings of India! To transfer the whole under-employed force, the figures would be many times as great.

A committee of United Nations experts has estimated that it would take \$19 billion a year in new capital investments in industry and agriculture to raise the income of the underdeveloped world by two per cent a year. To "pyramid" the per capita earnings of India, Pakistan and Ceylon by one dollar a year would take capital accumulation of almost five and a half billion dollars. For the countries of the Far East, excluding Japan, it would take more than seven and a half billion. Just for a two per cent increase! Where can either China or India find the kind of capital to industrialize on the American or even the Russian model? The sum would run into hundreds of billions, possibly even trillions of dollars!

The money cannot be "worked" out of the land, because effective machine farming in India or China is only a long-term dream. Machinery is useful only where there is plenty of land available, as in America or Burma. Where there is surplus manpower but land shortage, the individual peasant can grow more grain in a small holding of one or two acres, than an American farmer can with machinery. The efficiency of machinery lies in cutting down *man-hours* of labor; all other factors being even it does not increase the *yield per acre*. One 160 acre farm in America with machinery will produce less than 80 two-acre farms in Japan without machinery. The amount of labor used in America will be many times smaller, but the yield of rice will be substantially greater in Japan. Indian and Chinese farming must be improved with fertilizer, better plows and improved technique. But machinery is no panacea. Furthermore there is always the gnawing problem of what to do with the surplus village population, if machinery is introduced on a wide scale.



Most Indian leaders feel that their country cannot develop on the western style. It cannot concentrate exclusively on industry in the cities, but must supplement this with an extensive program of power-driven small cottage industries in the villages, industries such as silks, textiles, metal works and bricks. The unemployed can only be absorbed in the villages where they are, in small co-operative ventures or small-scale home factories, not in vast city plants. There will probably not be for many generations, the kind of conditions that will make possible the emigration of peasants to the city.

In the face of these considerations Nehru has chosen a slow tempo, a rate of capital accumulation of only three or four per cent yearly, about \$800 million. This is in sharp contrast to the development of Europe and America on the one hand, and the current plans of China on the other.

The National Development Council, headed by Nehru himself, has studied and written about this matter of tempo quite intelligently:

“In the United States over the 30 years, 1870-1900, capital formation at the rate of 12 per cent to 15 per cent of the national income raised the flow of goods to consumers about three-fold. Similarly in Japan over the 30 years, 1900-1930 the national income increased three times with new capital formation running at an average rate of about fourteen per cent. The U.S.S.R. during the period of the first five year plan, had a target of net investment amounting to ‘between a quarter and a third of the national income’ which was somewhat lowered during the period of the second five year plan. According to conservative estimates the actual rate of investment for the whole period 1923-38 was on the order of 20 per cent of the national income. With this very high rate of capital formation the national income is believed to have rather more than doubled during the ten year period . . . In view of these achievements elsewhere, this country should set itself at least to double the per capita national income within the space of about a generation.”

Having spoken of 12 per cent and 20 per cent annual rates of capital formation elsewhere, the Indian government decided modestly on a three or four per cent rate for itself. “The Plan envisages that the national income which was



estimated at Rs. 9,000 crore (\$18 billion) in 1950-51, will have risen to Rs. 10,000 crore (\$20 billion) by 1955-56, and that during these five years 20 per cent of the additional income annually accruing should be added to investment and capital formation. This would mean that by the end of the five years the rate of investment would rise to 6.75 per cent of the national income." It will take 17 or 18 years, almost a generation, before it touches the 20 per cent figure. As total production rises, about one-fifth of the *increase* should be added to capital formation; the rest would go for additional consumption. Nehru feels that such a tempo will provide for some improvement in living standards. "We have to be guided," the report says, "by what appears to be actually feasible, and it does not seem feasible during the first five years to step up the rate of investment faster without imposing on the people excessive privation and subjecting the whole economy to dangerous strain."

Nehru, the democrat, has obviously learned the lesson of the Soviet rapid tempo. He wants to avoid its pitfalls. He could, if he wished, find additional capital among the rich and middle class. There is not much available, but there is some. People in India whose income exceeds \$500 a year earn altogether about \$4 billion. This is the upper stratum and presumably it could be squeezed for at least a few hundred million, possibly a billion dollars a year more. But Nehru does not choose this path of "squeezing." He evidently feels that he can start with a slow tempo and build it up to respectable proportions in one generation, without disturbing either the rich or the poor too much. On his premise, consumption would rise very slowly until 1965, and per capita income would double to \$110, only by 1978.

It is doubtful, however, that even this painfully slow tempo may accelerate as Nehru predicts. Many American experts in Delhi feel that increased production will not keep up with population. One expert claims that by the end of the plan, there will be six million more unemployed than at its beginning. There will be twenty million more mouths to feed than in 1950. Theoretically the increase in national income in this period of some 11 per cent should take care of an increase in population only half that much. But there is many a slip



between a theoretical blueprint and actual practice. Even if living standards do rise, the increase will be minute. It will certainly not be sizeable enough to evoke the kind of enthusiasm needed to sustain the democratic Congress government. By refusing to squeeze any segment of the population Nehru, a saintly sort of a man personally, may very well be signing his own political death warrant. The people of India certainly expected more from their revolution than this, and they may very well turn elsewhere to appease their desires.

The Indian state has been timid in the first years about "squeezing" anyone; as a consequence it has appeased no one. In the village, land reform has been only partial, slow and ineffective. Each of the twenty-seven or twenty-eight provinces has its own law. All provide for some form of indemnification to the landlord class, usually about one-quarter to one-third. Only in Kashmir, which has not yet adhered to either India or Pakistan, has there been land reform without compensation. Elsewhere the laws usually provided only for reduced rents, occupancy rights, lowering interest rates, and partial division of land. But this kind of reform not only imposes enormous burdens of the state in indemnities, but also makes it difficult if not impossible for the peasant to acquire land. He is required to pay for his holding over a period of years, but money is one thing which he does not possess. Either he must borrow it or just pass the whole thing by. Land reform in India has failed utterly so far to imbue the peasant with any fervor for the state's program. He experiences no rise in his living standards, has no pride of ownership, and sees only confusion and evasion on all sides. Despite the moderateness of land reform laws, they are being flouted on every side. Big landlords refuse to observe them until tested and re-tested right up to the highest courts, a process taking years. Further, even when the big *zamindar* is eliminated, the peasant at the bottom of the rung feels little relief. From time immemorial he has been renting from a small landlord, with five, ten or twenty acres, who is an intermediary for the big landowner. That small landlord gets some relief when the big *raja* or *zamindar* loses his land, but the reform does not go down beyond him to benefit the small peasant. Big plantations, particularly those owned by the British, and large



farms which employed wage laborers rather than tenants, have not been touched. The desperate desire of the Indian peasant for a piece of land has not been appeased.

None of this means that feudal landlordism will remain in India, that the revolution will lapse into "suspended animation." On the contrary the landlord class is fighting only a rear-guard battle. It is holding back benefits to the peasantry, it is insisting on some indemnification. But that indemnification is only partial, and as each decade goes by it will be whittled away by stiff inheritance taxes. After a few decades none of the landlord fortunes will be left. Of that there can be no question. But unfortunately the tempo is much too slow. The peasant continues to starve and sees little justification for his sacrifices. In the cities there is hunger and homelessness. Literally hundreds of thousands of people in cities like Madras or Calcutta have no home except the sidewalk or the railway station. Diet and disease are appalling.

The tempo of Indian development has neither improved conditions much nor made them worse. The state is democratic and though there are a few incursions on freedom when the state arrests strike leaders or political opponents without the right of habeas corpus, nonetheless compared to the conditions when Britain ruled, or to the dictatorships that prevail in so many other countries of Asia, India is a paragon of democracy. But it is making a negligible dent in India's poverty so far. India has relative political stability because it refuses to squeeze any segment of its population. But unless it does so, it must eventually contend with new revolutionary forces within the subcontinent demanding more thorough change.

There are actually not many alternatives, beyond seeking foreign gifts or loans. But there is some area for squeezing the landlord class and the wealthier industrialists for additional capital. The regime could also curtail the import of luxury items and impose a modicum of austerity. It could take a number of steps that would at least double the rate of capital accumulation without imposing any more hardship on the common man. And in a year or two the common man would see appreciable results. They would not be sensational perhaps, but they would be visible and solid. The Indian people



no doubt will be patient for a while, before full disillusionment sets in. Independence has been a lift to national morale that cannot be easily dissipated. But the hopes of the people have been buoyed now, and they will not wait forever. Somewhere along the line the tempo must be changed or new political strife, possibly new violence, is inevitable. The country is still far from secure.

That Nehru recognizes this was illustrated in 1955 when he announced details of the second five year plan. The emphasis here was on an appreciably quicker tempo and on breaking through the land reform jam. Steel production was expected to rise within five years from one million tons to six million, and the rest of the economy would undoubtedly proceed apace. To aid the peasants the regime pushed through an amendment to Article 31 of the Constitution which would deprive the large landholder of judicial review when the state seizes his land. The governments of the various states could thus pay little or no indemnity for such holdings and could offer land to the land-hungry peasant at reasonable prices or at no compensation at all. As these words are written the new plan is not yet in effect. Theoretically, it offers greater hope and indicates that Nehru may be adjusting his tempo of accumulation to a more dynamic and better-balanced one. Certainly it shows a recognition that more vigor is needed. But whether the plan and the words will become reality, only history will tell. What is clear is that in the first few years of independent India, the tempo was too slow.

In China the timidity so apparent in India is completely absent. The tendency is completely in the opposite direction. A state that is free from the checks and balances of democracy, that does not have to cater to the democratic pressures of the people, is moving full speed ahead, and the devil take the cost! Land has been more extensively divided, much larger sums have been spent on investment. Instead of capital accumulation of only three or four per cent annually, Communist China accumulates at the rate of 25 per cent or more. Instead of a policy of squeezing no one, Communist China squeezes everyone, except possibly the bureaucracy.

When Mao seized state power in 1949, he went ahead with full scale land division. One or two *mow* for every adult (a



*mow* is a sixth of an acre) was given to each family. A family of six thus received one or two acres. Meager as this was it excited considerable enthusiasm in 1949-50. By contrast with the past it was a big step forward. In these first few years there is no doubt that grain production increased. The country had been near bankruptcy as a result of war and civil war. Communications were torn up, railroads were not functioning. Peasants were fearful to sow grain because they could not tell whether it would be expropriated during the perennial warfare. Now all this has changed. When Mao took Shanghai the country was at its nadir; given a moderately clean government it could only go upwards. There is little doubt that the first results were encouraging, both for industry and agriculture.

This seems to be a pattern for most Communist countries. In the early stages the common man is better off both relatively and absolutely. But the statistics of production are always vastly exaggerated, to begin with, and once the regime attempts to go beyond the old, pre-Communist, levels, it squeezes its people with impunity. By 1953 the stage was set in China to advance beyond 1937 levels and the regime was going to move ahead without regard to human cost. One of Mao's colleagues expressed the goal as increasing "the proportion of industrial production from about 10 per cent in the total national income to between 30 and 40 per cent in 10 or 15 years." Somebody was going to have to pay for such a rapid transformation.

Chinese propaganda concerning its first three years of achievements makes fantastic statistics. Three hundred and fifty-eight major irrigation projects, tens of thousands of check-dams repaired, and no less than 3,360,000 minor irrigation projects. Steel, cotton, rice—everything rose by the usual imposing statistics. The plain fact, however, is that after four years, the new regime had barely attained 1937 production levels. Rice production (the most important staple) was approximately the same (somewhere between 140 and 160 million tons, depending on who estimated it). But measured per capita-wise, it was considerably less, because of the substantial increase in population during these 16 years. The amount brought to market was also a few million tons less, 90.5 million in 1953 as against 92.3 million average



1931-37. The state published imposing figures on Manchurian industrial production, but it did not point out that Russia had carried off everything that was moveable; that doubling and tripling production based on the remaining facilities was rather meager indeed, compared to the past.

Despite these exaggerations, however, there is no denying the Communist achievement. Nor would it be honest to deny the original enthusiasm for the regime. Yet when all is said and done the pattern does not vary much from that of the Russians. The peasant, the small capitalist, the worker, is being squeezed for enormous sums of capital. With each month the amount available for "squeezing" and the number of people to be squeezed becomes smaller. Simultaneously opposition to the regime becomes firmer.

The peasant, it is true, benefited by land reform at first. But soon he was paying taxes as high as the rent he used to pay to his landlord. He was receiving low prices from the state for his grain and paying high prices for consumer goods. The latter went up twice as fast as rice prices.

The Mao government boasts that it has been able to secure capital not only from increased productivity, but because there are no longer any "exploiters" in China. The landlord's share of grain production was, according to the regime, 30 million tons a year. The peasants no longer have to pay this sum, it is claimed. But of course the peasant does pay taxes to the state. Theoretically they are supposed to be only 15 per cent of the yield. This, of course, is far better than the 35 to 50 per cent the old landlords used to take. But as we shall see the theory and the practice do not coincide; the actual tax is much higher. What is more, the state now has a hundred and one other kinds of taxes, taxes that cannot be avoided as they could be under the Chiang government. One writer, O. M. Green, quotes a "recent report by General Yeh Chien-ying, Governor of Kwantung province, published in the *Nan Fan Daily* of Canton" as saying that "a Kwantung farmer has to pay 225 different local taxes." So that even if his land tax is lower than former land rent (which only a portion of the peasants had to pay, incidentally) there are innumerable other taxes, direct and indirect which more than make up for it. The peasant is being "squeezed."



An Indian Socialist leader who visited China a year or two back, reported this about the land tax:

"The land tax in China is paid in kind. This is by no means an innovation. This practice had been prevalent there for centuries. When the harvest is ready, the government officials assess it on the spot. The land tax varies from 10 to 80 per cent of the total produce. Even the smallest peasant, who may not have an economic holding, must hand over to the government at least 10 per cent of his total produce. The peasants who cannot make a living out of their holdings but have to pay the compulsory tax to the government are driven to supplement their earnings by working for others. The price of a peasant's produce is fixed by the government. The government has established granaries in different areas of the country where collections made from peasants are stored. Even government records show that the work of government officials has, in this respect, been far from smooth. There have been cases of government officials being locked up and belabored and murdered. In the last year alone as many as 3,000 government officials had been done away with by irate peasants. And these figures are by no means exhaustive."

The worker in China is also being squeezed. C. T. Daru, an Indian humanist who visited China wrote in October 1953 that: "During the new regime, intensive labor schemes in many factories have made an appreciable number of workers surplus to the factories. To take only one illustration. Weavers in cotton textile industry are now working on eight looms to a weaver basis where formerly a weaver attended only two looms. The pace of industrialization till now has not been sufficient to absorb these people. Then in the villages, large numbers of people living in a state of underemployment (one-third of an acre of land cannot sustain a person on anything but a semi-starvation level) are eager to come to the cities in search of employment . . . A travel permit system has been introduced and there is a thorough control on the movements of the people. Villagers are therefore unable to throng to the cities unless permitted by the government."

In one paragraph, here is a view of all of China with its underemployed peasants and overworked workers. Workers in the Communist "paradise" were employed 10 hours a day



and were working with an intensity, according to Daru, "which if tried to be introduced in India would lead to large scale strikes." Elsewhere there was a 12 hour day. Minimum wages in modern industry were equivalent to only \$10 a month, and prices were higher than in countries with a slower tempo of development.

At a trade union congress an official report pointed out that workers generally "had demanded a higher standard of living and also a share in the control and management of factories. But the former demand," says Daru who attended, "was dubbed as a tendency to 'economism' and the latter as 'syndicalism.' Both were said to be dangerous to the fulfillment of the ideal of Communism and were, therefore, suppressed . . . The trade unions were asked to organize 'labor emulation' campaigns to impress upon the workers to develop a new attitude towards labor. The union officials were advised to talk about the future and not the present while speaking to the workers. Emphasis should be laid on the expected improvement in their condition in future and the conditions of the present should not be permitted to weigh upon the minds of the workers."

Housing accommodations are abysmal. One small room was considered enough for four or five single workers or one whole family. These rooms did not have bathrooms or toilets; in fact there often was no common bathroom for even a whole dormitory. A state that was spending 25 per cent of the national income for development could not "waste" its precious funds on such luxuries.

Strikes are prohibited, lest the employee will gain a greater share of what he produces, and thus cut down the amount of capital accumulation. Machines for many projects are almost wholly lacking. A visitor to the Yung Ting river project, a few hours ride from Peking, describes conditions as follows:

"A large number of workers appeared to be engaged on work which was extremely hard and strenuous. All the operations were being carried out by hand without the aid of even the simplest type of mechanized equipment. The conditions of work were difficult, dust-storm and extreme cold weather adding to the difficulties in absence of any protection. There did not appear to be even ordinary shelters for workers to



sleep in the night. We were told that they were getting a wage of the equivalent of 30¢ a day. Obviously most of them may have been those who have been asked by the state to 'reform themselves through labor.'"

Chinese Maoism boasts of the Hwai river project, begun in 1950 and scheduled for completion in 1955. It is supposed to check floods in an area covering 60 million people, make the river navigable, lay the basis for some electrification, and irrigate about four million acres of land. The Indians have the Bhakra-Nangal project in the Punjab which is of the same proportions, perhaps even bigger, but Hwai is nonetheless impressive. It is played up energetically for foreign consumption. According to reports, it employs more than a million men. These are recruited first from peasant "volunteers" who come to work for short periods and often are made to bring their own food, and secondly from forced laborers.. To prepare a site for one million laborers in a country like China is obviously a formidable task. Just imagine putting up huts, toilets, commissaries, recreation halls, doctors' offices, hospitals, post offices and dozens of other facilities for a city of even 100,000. The cost runs into scores of millions at least. Furthermore a voluntary laborer would not work in wind-swept areas, with primitive living facilities, unless he earned high wages and could spend his money on consumer goods. But if impoverished China were to spend this kind of money on living facilities, and if it were to deflect its precious capital to consumer goods for its workers, then it obviously would have to curtail its industrial plan. A state which is all-powerful, however, does not have to yield such concessions. Instead it draws forced labor for its particularly unattractive work at low wages or no wages.

China in 1953 was spending some 23 to 25 per cent of its total national income for economic and cultural investments, about \$6 billion (at the official rate of exchange) out of a maximum of \$25 billion. Early reports, after 1949, claimed that the Soviet Union had made available some \$300 million in credits to its Mao-ist ally. Chester Bowles, ex-Ambassador to India, claims that Russia actually has committed itself to long term credits of \$1.6 billion and has assigned 4,500 technicians to the country. The figure \$1.6 billion is much more



impressive than \$300 million. But it is not so great when put in its proper context. At one time Stalin offered Tito \$135 million in long-term credits. At the same per capita ration, China would be entitled to \$4 billion. At the ratio of gifts and loans Yugoslavia has received from the West in recent years China should receive \$15 or \$16 billion. When it is remembered that China in 1953 had a military budget of more than \$2 billion it becomes apparent that Soviet gifts and loans in themselves are not a major solution. Furthermore the emphasis should be placed on the words "long-term." We do not know how much of that sum is available each year or how long the credits run. At one point in 1953 it was announced that the Soviets were incapable of meeting some of their commitments; some of the credits may never be forthcoming. Obviously China is depending on its own savings rather than foreign loans for its primary capital accumulation.

Here then was the 1953 picture: Out of a national income of some \$25 billion, the state budget amounts to \$10.6 billion, or more than 40 per cent. That includes, in round figures, about \$6 billion for development, \$2 billion and a few hundred million for the military, and the rest for normal government expenses. What is left therefore for national consumption? Fifteen billion dollars. If all of that were divided equally amongst China's 500 million people, it would leave only \$30 per person for consumption, 60¢ a week. Even if this is better than under the previous regime, and we frankly don't know, it is obvious that it will be a long time before the peasant will *voluntarily* share his increased production with the state. He has far too many accumulated needs to satisfy. To siphon off 25 per cent of the national income for development clearly means postponing the satisfaction of those needs.

If that were all, it would be bad enough. But the forced savings imposed on the people leads to a stricter police state. And as the police state grows, efficiency tends to slough off, thus forcing the state to *increase* its rate of accumulation.

Lack of democratic checks and balances plays havoc with an economy. Morally of course democracy is a preferable condition to dictatorship; but its importance goes far beyond the moral scope. No industrial system can work well without democracy.



Under a democratic or relatively democratic state the quantity and quality of production is controlled by the voice of the market. If consumers do not like an item, they will not buy it; other manufacturers place competing items for sale to attract the dollars that were not spent on the unattractive commodity. This system is not perfect, nor necessarily good; there are occasions when there is plenty of attractive merchandise for sale but the consumer fails to buy merely because he lacks purchasing power. This is a vice of the market which has commanded attention of economists ever since depressions first began in Capitalist countries. But the market by and large is a valuable control that does direct production into the right channels.

A market economy also exercises controls over quality. Since the laborer's wages are determined by supply and demand, he can ask for higher wages if his production improves, he can quit to go where wages are higher, or his employer can discharge him to make way for a more efficient worker. In any case his productivity tends to remain fairly high, since both employer and employee have outlets for resolving their problem if they are dissatisfied.

But when the state becomes all-powerful, subject to no political pressures, there can be no inexpensive controls over either quantity or quality. The all-powerful state with an artificial goal of rapid industrialization must channel production and savings on its own. It cannot permit the market to make the decision. Suppose the people wanted more butter than machinery, that would be fatal for the "plan." The all-powerful state must force the people to eat less butter, to reconcile themselves to more machinery. That is why strikes are not permitted, why one never hears statistics of grievances or grievance machinery in Soviet factories or in state-owned Chinese factories. The total emphasis of the state is on the quantity of production. By superhuman effort and the imposition of enormous sacrifices, the quantity can be raised; Russia in fact has performed miracles in that respect. But without democracy there will always be serious defects in quality, and the cost of production of most commodities will not only be far more than in the advanced countries but usually far more than Chinese or Russian plans *anticipate*.



Deterioration of quality and miscalculation imposes further demands on capital accumulation. Suppose for instance that the government draws up a plan for a dam, to spend "X" number of dollars. Suppose it miscalculates the amount of rubber needed, or uses the rubber badly. To replace it, it must export an equivalent amount of rice to Ceylon. Suppose, however, that the crops fail, as they did in 1953, or the peasants embark on a slowdown. If the state does not get the rubber, hundreds of projects come to a standstill. Irrigation works that were supposed to improve production the following year must lapse. Unemployment will result. In a rich country there are plenty of reserve stocks. When something goes wrong the state or the private entrepreneur can borrow either at home or abroad. But in a Stalinist country there are very few reserve stocks and the chances of getting a loan are negligible. The state can only "squeeze." Rapid tempo makes democracy impossible; lack of democracy forces the state to increase its tempo of accumulation. Stalinism found itself caught in this vise in Russia, and now increasingly the Maoists in China are caught in it. It is no accident that the national revolutions of the past carried on their banners such slogans as "Liberty, Fraternity, Equality" and "Freedom." Democracy forces a society to become more efficient.

The lack of democracy leads to ceaseless miscalculations, and ceaseless squeezes. If the state finds that it needs more rubber it looks for more grain in the village to export to Ceylon. But how can it collect that grain if it cannot give the peasant any consumer goods in return? Obviously only by force. The village bureaucrat, when told he must meet an additional grain collection, merely devises a formula for assessing the peasant for more rice. He decides, for instance, that the 15 per cent rice tax must be based not on *actual* yield but on the *expected* or *fair* or *potential* yield. "Expected" or "fair" or "potential" yield might mean what the land could grow with the best irrigation under the most advantageous conditions. Thus peasants who are "legally" taxed only 15 per cent soon find themselves paying 30 and 50 per cent of actual yield.

Constantly then the Communist regime in China must seek new sources for capital accumulation. First it found such



a source in the foreign firms, landlords and some internal Capitalists. Expropriations from these, gave the state initial capital. Later it took measures to bring gold, silver, and other hoards to the surface. How much all this amounted to no one knows. But it is safe to say that it could not have been much more than working capital. It should be recalled that the Chinese economy was on the verge of collapse when the Communists took over. Whatever capital was secured through emergency measures could hardly have been more than enough to replace old tools, old equipment and railroad stock. After these initial sources the choice became more limited. There remained the peasantry, the workers, and, finally, the remaining Capitalist elements.

Production increases could not possibly keep up with the rate of investment. In India, Nehru estimated that each three or four dollars of investment brought one dollar of additional production. But that was based on efficient investment. In China it is doubtful if more than \$500 million or a billion production annually is added to the total. Most of the capital accumulated comes only by a squeeze. This leads not only to antipathy but to further coercion. The chain is endless. Since the state permits no *natural* rate of savings, but imposes its own norms, it finds peasants hiding grain, slaughtering cattle and selling on the black market. Some desert their land and attempt to flock to the cities.

It is rather interesting in this regard that towards the end of 1955 the government announced a plan for de-populating Shanghai and sending hundreds of thousands back to the village, as well as a program for rapid collectivization. The state obviously wanted the peasant where it could control him.

Another source of capital was the small Capitalist. He was not eliminated by Mao's victory. In the first few years he enjoyed something like the privileges of the small Capitalist in Russia under the NEP. And he evidently prospered. Kao Kang, a Communist official, reported in June 1952 on the progress of small entrepreneurs in the northeast of China: "Take Mukden for instance. Private industries numbered only 6,546 at the end of 1948 as against 11,752 in 1949, 15,727 in 1950 and 18,421 in 1951. The number of workers in private industries was 26,008 in 1948, which rose to



46,506 in 1949, 66,228 in 1950 and 80,568 in 1951." Aside from showing the picayune nature of Chinese industry, with an average of only four workers per "industry," the figures do indicate some growth. Kao Kang notes that "private business establishments," which presumably include retail stores in addition to factories, have increased average sales from 726 million *yuan* to 1.8 billion a year.

The small Capitalist was not going to invest all his savings in new ventures unless he knew that private property would be safe from expropriation. Such an assurance was impossible under a Communist regime, with an anti-Capitalist orientation and without any democratic checks and balances. But if the small Capitalist would not yield his savings voluntarily, the regime could get it by using state power.

The Chinese Communists devised a program of "three-antis" (San-Fan) and "five-antis" (Wu-Fan) that was devilishly clever. Most of it was implemented in the first half of 1952. The "three-antis" was a campaign against corruption and graft in the bureaucracy. The "five-antis" was a campaign against businessmen for bribing of government personnel, tax evasion, theft of state property, cheating on government contracts and stealing economic information from the state. It was all carried out with Chinese patience and politeness, but it put thousands of businessmen out of business and cut the government in as partners in others. A few Capitalists committed suicide.

The "crimes" of three-antis and five-antis were interpreted so broadly that few people were free from guilt. Thus the term "tax-evasion" was frequently interpreted to mean evasion under the Kuomintang regime, before Mao. "Stealing of economic information from the state" sometimes meant learning about government plans to buy cotton and stocking up on it so as to make a profit. All kinds of flimsy pretexts were used to fine small businessmen and squeeze them for additional capital. The "culprits" were encouraged to solicit funds from relatives abroad to pay their fines or to cut the state in as a partner. Many gave the government IOU's and paid it over a period of time. When it was all over the small Capitalist was badly shaken and badly hurt.

All of this, it must be noted, is still in the period of restora-



tion, before China took any great steps beyond its 1937 levels. Where will it get the additional capital now? Whom will it squeeze further? Will Mao lose all reason and squeeze his people on the order of 1929-33 in Russia? Will millions die through new forced collectivization and intensive industrialization? Mao's plans are ambitious, probably as ambitious as those of Stalin in 1929. He wants to be a powerful force in Asia, and for that he must industrialize his nation rapidly. But he begins, unfortunately, with much worse material resources than Russia. He has less land on a per capita basis available for cultivation, and he starts with much less developed industry. Prior to the Bolshevik Revolution Russia had a steel capacity of four million tons yearly; Mao begins with only a half million. If he continues his course to full Stalinization it will be another bloody chapter in Asiatic history.

The contrast of India and China, the lessons of Burma, Israel and Yugoslavia, indicate that the positive phase of revolution turns around the question of democracy. The political complexion of the ruling force in each revolutionary country is decisive for the development of the country. In India the Congress Party had been led for decades by a non-violent revolutionary, Gandhi. There was no centralization of power, either political or military. The state that emerged was a democratic one. In China, Sun Yat-sen in 1911 would undoubtedly also have established a democratic regime. But the Chinese revolution failed to prosper; by 1925-27 it reached the crossroads. When Chiang Kai-shek put down the Communists, former allies of the Kuomintang, two states arose in China, both highly militarized and highly centralized. The Chiang regime was a dictatorship which failed to carry the revolution further. The Maoist regime in the hinterlands was also a centralized affair based on guerrilla warfare. It was almost inevitable that when such a regime seized all power it would remain totalitarian.

In Burma, democratic Socialists built a democratic regime; in Israel Mapai, with its democratic traditions, also tended towards democracy; in Yugoslavia, the logic of Tito's break with Stalin turned him towards (but didn't bring him to) the democratic goal. Each of these five revolutionary regimes begins its positive phase of revolution with its own political



heritage, its own approach. Three of them are definitely committed to the thesis that they must take no step that endangers the living standards of their people. The fourth, breaking with Stalinism, builds a measure of support in the working class and seeks further support from the peasantry. The fifth, never bothered by democracy within its own party, never affected by checks and balances, is not deterred by lack of internal support from its own people. Its goal is external power, and the internal cost is of no consequence.

All of these revolutions are in their early positive stages. The two components of industrialization, democracy and capital accumulation, have been thrown together in varying proportions in each. None of these proportions, none of these "magic formulas," have as yet had enough success to attract the whole underdeveloped world. But as time goes on, and as each does achieve some success, it will also lend more courage to the "backward" countries that have not yet started their revolution.



## Chapter 8

### BIG STICK, LITTLE STICK

It is time now to pull the threads together.

We have been studying our problem, so to speak, vertically. We have sought the inner impulses of the underdeveloped and partly-developed world to see what impels it to shed the heritage of the past and cloak itself in new institutions and develop a new industrial orientation. What we have noted is a world where revolution is irrepressible. Held in abeyance for a century or more it can hardly be held in check any longer. Though it grows haphazardly, it grows in such fertile soil that it continues despite setbacks. Outmoded social institutions within each country create a whole host of tensions and pressures that end eventually in social revolt.

We must now approach the problem horizontally and ask, how has it affected us? What impact does the social revolt in far away places have on the Western way of life? On our military, diplomatic and economic power? Traditionally we have seen little connection between the problems of the so-called backward areas and our own; they were separated in our compartmentalized minds by a stern Chinese wall. Today, however, the connection is moving into focus.

In the final analysis agrarian feudalism has been the starting point of World Wars I and II, and is a primary ingredient of the cold war which may lead to World War III. It has not had the simple causal connection that we expect perhaps in physics, but it has been the first step in a chain of actions and reactions which plunged the world into both war and revolution. Our western Capitalist world, at this historic moment, is completing the circle. The subjugation of feudalism made it stable, rich and powerful; the continuation of feudalism now places it on the defensive and in jeopardy. What is even worse, the mainsprings of its power are being corroded almost invisibly, beneath the surface, by the counter-process of social revolution. What we have been considering



our "big stick," the military-industrial potential, is being warped into a "little stick."

Consider the interesting dynamic of Capitalist development:

It begins in countries like Holland, Britain, France and the United States, as a revolt against feudalism. Although we may try to forget it, only two centuries ago these bastions of present day Capitalism were just as impotent relative to the feudal world, as our underdeveloped countries are weak relative to Capitalism today. Capitalism challenged what seemed a "superior," more entrenched system, and succeeded. Shortly after the French Revolution, Capitalism became the dominant world system. Though it failed to extend its national revolution to the East, it was nevertheless supreme because the older system had lost all initiative. With the eclipse of the Austrian feudal statesman, Metternich, Capitalism felt its oats.

In these early days, when Capitalism was young, it sought to "export" its national revolution. Napoleon pushed through Europe on the slogans of the French Revolution, and in almost every country there was a social crisis which continued for decades. A rising United States also gave moral support to revolutionaries in Latin America who tried to emulate the American experience.

But Capitalism soon reversed itself. Now that feudalism was no longer a challenge, the West propped it up, saved it from social revolt, made an ally of it. Instead of "exporting" revolution, it repressed it and buttressed feudalism. Out of this unholy wedlock western Capitalism gained enormous capital for its industrial revolution at home. The disparity between West and East increased sharply. Living standards and cultures declined in most underdeveloped areas; the Capitalist countries boomed with a buoyant industrial revolution.

And so it remained for perhaps a century. Capitalism was dominant, unchallenged, able to turn back any threat to its power. The feudal world was completely subservient.

But beginning with the twentieth century there was a serious reaction from this whole process. By fighting against the national revolution in the underdeveloped areas the West doomed these countries to poverty and backwardness. In doing so, however, it limited potential world markets and



created a crisis within its *own* weaker links, such as Germany. Abraham Lincoln once noted that the United States could not exist half-free, half-slave. Neither can the world as a whole exist half-dominant, half-enslaved; half-rich, half-poor; half-overprivileged, half-underprivileged.

World trade today runs somewhere between \$60 and \$70 billion. Most of it is between the advanced countries. A nation like India, with a population of 363 million has a total of both exports and imports of only \$2 to \$3 billion. But suppose India had completed its national revolution a century ago. Suppose its per capita income now was a third of American per capita income, instead of a thirtieth. Then its national income would be \$180 billion and its foreign trade might run to \$20 or \$30 billion. The same would be true of China, the Middle East, Latin America. If the underdeveloped world had been permitted to develop, and living standards increased to Western or near-Western levels, world trade would be many times as great as it is. But with most of the world living at a subsistence or below-subsistence level the markets are limited and the advanced Capitalist nations fight for these bitterly.

Thus the first effects of this disparity between West and East were felt not only in the feudal areas, but especially in the advanced countries. It resulted in a bitter cleavage between Capitalist powers. The poverty of the "backward" areas back-fired on those who impoverished them. Without enough foreign markets and avenues of investment to go around, the Capitalist world divided into "have" nations like Britain or France, and "have-not" nations, like Germany, Japan and Italy. The "haves" were satisfied with the status-quo and the present power set-up, the rest were not.

At the turn of the twentieth century a growing industrial Germany felt it must expand outward to feed the maw of its new industrialism. But its *drang nach osten* stubbed the toes of a more staid empire, Britain. In the foreign relations between the two countries one tried to sustain the status-quo, perhaps with minor concessions, the other to break out of it. Soon the issue led to war. Germany felt that it could secure new markets, new territories, new spheres of influence only by defeating the British on the battlefield.



For the United States, the specter of an expanding Germany was a greater danger than the satiated British empire which would not expand any further. The United States entered the alliance against Germany.

That alliance was successful, victory was won. But suddenly in the very turbulence of the war itself, the rumblings of a vast act of social violence were heard that could topple not only Germany and Austria, the enemies, but the whole Capitalist system itself. In February 1917, war and revolution blended. The Russian women demonstrated in the streets of Petrograd and out of this simple act developed the most far-reaching revolution of our times. An enormous toll of Russian dead, the complete chaos of the Czarist economy, the resulting hunger and desperation in the weakest link of the Allies, Russia, led to revolution—even while the Allies were close to victory. That revolution, in February (March by our Western calendar), was bourgeois, anti-feudal, democratic. But it did not come to grips with the main problems troubling the Russian people, land for the peasant and peace. By October 1917, the stalled Russian Revolution, in its national and democratic phase, was taken over by the Bolsheviks. A few months later social revolt crossed enemy lines. A general strike broke out in Berlin. Ludendorff advised the Kaiser to sue for peace even though the German armies were far from routed. The Kaiser did not accept this advice, but months later social violence boiled over into revolution. The sailors in Kiel left their posts when ordered to steam out to sea, attacked the prisons to release their arrested comrades, and organized sailors, soldiers, and workers' councils (soviets) throughout the land. A republic emerged, the Kaiser was finished, the war was ended. What started as a purely military conflict in 1914 was ended, in great measure at least, by a social upheaval.

Thus began a persistent triangle of conflicts. The advanced "have" nations faced two dangers. On the one hand there were the "have-not" powers such as Germany, Italy and Japan, which challenged the domain of Britain, America, Holland, France for the relatively sparse world markets; and on the other, was Soviet Communism, which was ever ready to utilize legitimate revolutions and acts of social violence to



whittle the western domain further. In this, Russia was doing precisely what Capitalism did a century and a half ago; it took advantage of the cleavages within the ranks of the "enemy" for its own purposes, just as we Americans took advantage of the cleavages between France and Britain in the 18th century, to achieve and further our own revolution.

With the victory of Soviet power, western Capitalism was no longer unchallenged. Though Russia was weak, its social appeal was strong. Now three social systems confront each other, where yesterday there had been but two. And two, instead of one, of these were dynamic.

This is the changed circumstance of the twentieth century which is responsible for our dilemmas, for our twists and turns in foreign policy, the zig-zag of our alliances.

Post World War I America faced a new set of circumstances. Its military ally of yesterday, Russia, was now a social enemy. And its military enemy of yesterday, Germany, was in danger of emulating the Communists. America therefore aided the "whites" against the "reds" in the Russian civil war; it sent its own military forces to that beleaguered country to fight the ruling regime. For a decade and a half it refused even to recognize its former military ally. On the other hand it gave considerable financial aid to the military enemy of yesterday. Faced with the danger of revolution against the Weimar Republic, America sent food and money through the Young and Dawes Plans. Its military enemy became an ally, because there was now a greater enemy, a social enemy—Soviet Russia.

During this period of the twenties and early thirties, one revolution after another was set back. German revolutions in 1918-19, 1920, 1921, 1923-24, revolutions in Bulgaria, Austria, Finland, occupation of the factories in Italy, a general strike in Britain in 1926, rumblings in the underdeveloped areas by Gandhi, Kemal Ataturk, Sun Yat-sen and Chiang Kai-shek, in Egypt and elsewhere all ended without real victory for the revolution. Most were defeated outright, some, like those in Turkey, made a few strides forward but then lapsed into suspended animation. Capitalism was stabilized. It recovered in Europe, it made considerable strides forward in the United States. The United States replaced Britain as



the pivot of Western Capitalism. The Soviet Union remained isolated, its revolution completely checked.

But the passive pressures of the feudal world, the under-developed world, soon made themselves felt again. The market for western goods in these areas has remained relatively stationary. On the other hand the productive facilities of the Capitalist countries had expanded considerably and more markets were needed. For a greater need there was relatively a smaller supply. The whole Capitalist world entered a severe crisis in 1929. America with its great resources, deserted *laissez-faire* in favor of controlled Capitalism, and soon righted its tipped ship. But the weaker links of Capitalism did not fare as well. The "have-not" nations faced revolutions at home unless they could right the economic keel.

Germany, in particular, was faced with a pernicious and persistent internal conflict. Defeated in the first war, suffering casualties of more than seven million dead, wounded and missing, Germany was in a condition of chaos. The people were hungry, the armed forces were rebelling. After Kiel there was a revolution led by the Spartacists in 1919, a general strike in 1920, another revolution in 1921, still another in 1923-24. These were the answers of the masses to poverty and hopelessness. In the midst of one of the worst inflations in all history there were industrial magnates in Germany rising to great power. Class tensions flamed. American aid, in the form of the Young and Dawes Plans helped to still the storms for five or six years. From 1925 to 1930 Germany was receiving some \$9 in foreign investments for each person. In the same period Poland was receiving only \$2 per head. So that for a few years there was an uneasy stability.

But the world crisis which began in America in 1929 soon brought the house down in Germany too. Five to seven million people were unemployed, in a nation of 65 million. The country had either to introduce a broader welfare program, large scale public works, redistribution of income and possibly even of wealth, or it had to use police terror to keep the workers, peasants and middle class from rebelling again as they did a few years before. Germany chose police terror, Hitlerism. Its Left was badly disunited, an easy victim for the Nazi aggression.



In implementing his foreign policy, Hitler formulated an altogether logical approach to the Capitalist West. He tried to consolidate one whole social system against another. Communism was inherently an enemy of the Capitalist world. Why then should the other Capitalist powers object if Germany enlarged its domain at the expense of the Soviets? Russia was shaking the rafters of Capitalism. Because it was militarily and economically much weaker, it compensated by distributing propaganda for revolution, by organizing the unemployed, by conducting strikes, by subsidizing its various Communist Parties. The economic and moral resources of the Soviets, placed behind these movements, built them into serious threats. The West had a stake therefore in a German assault against the Soviets. And both Hitler and his Ruhr supporters were convinced that there would be only token objection from Britain and America to a new *drang nach Osten* that would weaken or destroy the social enemy in Russia.

The argument seemed logical, but for America and Britain it posed a new dilemma. To permit Germany to expand at the expense of Russia would give the Reich a land area from the Baltic to the Pacific capable of dominating the whole world. It would, in the end, lessen the power of the "have" nations. On the other hand, Russia was not aggressive in a military sense, nor was it actively seeking to undermine Western trade. Isolated as it was it could do little damage, if it would only stop abetting the Communist Parties in subversion. And, the Kremlin, faced with the dangers of Hitlerism on its western flank, had offered the olive branch. Any country that signed a non-aggression pact with the Soviets would be guaranteed against social revolt.

Torn between two great menaces, America and Britain could do nothing but temporize, grant minor concessions here and there, in the hope that the basic status-quo would remain. The offer of the Russians to check social revolution was accepted. When France signed the Franco-Soviet Pact in 1935, the French Communist Party stopped its agitation for defeatism in the French army in favor of *defensism*. Instead of calling on the youth of France to sabotage the "imperialist army" it now called on them to join it. And instead of the



shrill cry of revolution it became a militant advocate of reform, nothing more. When Franklin Roosevelt recognized Russia the Communists changed the tenor of their revolutionary line in Cuba, changed from berating Roosevelt as a fascist and a war-monger to full-fledged support, and supplanted "class struggle" in the United States with the more tepid "class collaboration." It seemed that the Anglo-American strategy was paying off. Germany was appeased with some relaxation of the military clauses of the Versailles Treaty, and for a few years in the mid-thirties the policy of balancing between the two evils, of temporizing, seemed to work.

But the crisis of German Capitalism could not be resolved by "holding the line," certainly not under the Nazi principles of counter-revolution and conquest. Once its military establishment was completed Germany seized Austria and Czechoslovakia. Britain, France and America tried to appease the German appetite by recognizing these conquests, if Hitler would only agree that this was the total price. But appeasement only whetted the appetite further. Germany soon invaded Poland and the second war was on.

Thus the chain which begins with the low purchasing power of feudalism, with the shackling rigidity of feudal economy, begins one war, partially ends it by revolution, then provokes another. The disparities between nations, like the disparities within nations, lead to pressures and tensions which tend at critical moments to explode. National privilege, like class privilege, keeps the world in turmoil. It provokes revolutions internally and wars externally. The arrested social revolution in Asia, Africa and Latin America transforms the Johnny-come-latelys of industrial Capitalism, Germany, Italy, Japan, into underprivileged world powers.

The Allied policy of temporizing, of maintaining the world status-quo, could not sustain itself so long as these internal and external pressures existed. Hitler expanded outward; America was confronted with a twist in its zig-zag policy. The attempt by the West to emasculate Germany as a warrior nation had failed. To save itself from revolution the Reich went to war. And the only way to have stopped that war from coming, in a world where three conflicting social systems



confront each other, would have been to cut the ground from under the threatening revolution. If, instead of appeasing German demands for territory, the advanced Capitalist powers had fostered social change, and diminished the disparities on a world scale, the war could have been avoided.

Once the war began the Western powers had little choice. In the first days of warfare they temporized again, still hoping for a *modus vivendi* that somehow would preserve the world status-quo. But the contradictions in the three-cornered conflict continued. Russia, in a desperate effort to turn the Wehrmacht from Moscow towards London, had come to terms with Hitler in the famous Stalin-Hitler pact. Again the price was paid in the coin of social revolt; the Soviet agents, the Communist Parties, intensified social violence in Britain, France and America, mitigated it in the German orbit. Germany, now that its legions were on the march, seized central Europe, Denmark and Norway. And in far off Asia Japanese militarism utilized the aspirations of the colonial people for independence as a lever for its own expansion. It trained many sincere Indian and Burmese and other revolutionaries in Tokyo in how to "liberate" their countries. Among them were the Indian, Bose, and most of the current Burmese government. The war was again building up the forces of revolution.

When Russia was invaded by Germany, and when Japan attacked at Pearl Harbor, war and revolution again joined forces. In the countries under Hitler's yoke, Communist, Socialist and nationalist guerrillas not only played havoc with the German military machine, but raised the slogans of social change. In most countries, the Communists, by agreement with America and Britain, kept these programs within reformist bounds. But in Yugoslavia, against the wishes of Stalin, this social violence took on revolutionary form. Not only did Tito fight the military enemy, but the internal feudal and Capitalist forces as well.

Actual warfare between the powers imposed a complex problem for America. She could not fight both her enemies, German expansion and Soviet Communism, simultaneously. She had to make a choice, so she chose an alliance with the lesser *military* evil. In return for that alliance, she exacted a



promise from the Soviets to *check* social revolt. During the war-time period, the Communists everywhere abandoned any strife with the Capitalist system of their allies. Of all the social forces they were by far the most moderate. In India they fought Gandhi's slogan "Quit India" and they supported unconditionally the British war effort. In America and Britain they not only yielded the right to strike, but demanded additional sacrifices from workers such as longer hours, piece-work and various other conditions which labor traditionally, and Stalinism, in particular, had fought vigorously.

Again, for a historical moment, the Allies felt secure, adequately protected both from German arms and from social revolution. Again, life proved that this security was illusory. Failure to understand the social factor led to a new debacle. The end of the war unleashed new forces of social rebellion. The alliance with Russia could not stop revolution. The revolution in Asia and in Yugoslavia occurred, not because of the Soviets, but in spite of them. The Yugoslav and Chinese Communists seized power despite the wishes of Moscow.

This may seem incredible to those who think of the Stalinist world as an unbreakable entity, but there is sufficient documentation to prove the point. After the war Stalin ordered Tito to bring King Peter back, but Tito refused. He insisted also, as the Alsop brothers point out, that Tito "carry out the Stalin-Churchill bargain making Yugoslavia a joint Anglo-Soviet 'sphere of influence' on a 50-50 basis." Churchill, in his memoirs, also alludes to this fact. But again Tito refused. Mao Tse-tung in China also rejected Soviet orders on forming a coalition with Chiang Kai-shek. The Alsops write that:

"Stalin actually did try, for a while, to keep the promises he gave Roosevelt at Yalta and T. V. Soong in Moscow . . . Stalin ordered Mao Tse-tung and his fellow Chinese Communists to enter a coalition government in China on the terms already laid down by (Patrick) Hurley as President Roosevelt's representative in Chungking. These coalition terms were calculated, or so Hurley then believed, to insure that the Communist members of the proposed coalition would be controlled by Chiang and the Nationalists. It would seem the Hurley view was justified. At any rate, Mao Tse-tung shared it fully. He flatly refused to obey Stalin's command, declaring



that his Communists would win all China in the end and refusing to sacrifice this future victory to a subordinate place in any coalition."

By the end of World War II a new and greater social tornado was in the making. Given some impetus from Moscow it would have affected a far greater portion of humanity than it actually did. But this was the period of Teheran; the Soviets wanted no trouble with their allies, until their own internal reconstruction could be completed. They were willing to continue the "class peace" policy of war-time.

But the social forces unleashed by six years of war and destruction were greater than the mere promises by Stalin at Teheran. In Europe he was able to persuade his followers to take a moderate course, reformist rather than revolutionary. He submitted to the disarming of Communist-led partisans and the ejection of Communist-led workers from Communist-held factories. In America his followers promised a long-term no-strike pledge; one of them, Harry Bridges, spoke of a permanent no-strike policy. But in Yugoslavia and China the local Communists refused to end the "class struggle." In vast sections of Asia and Africa revolutions took place without Communist sanction, in fact without real Communist participation. The Communists had nothing to do with independence in India, with the Nkrumah movement in the African Gold Coast, with the anti-French struggles in Tunisia, Madagascar, Morocco, Algeria, with the Arab nationalist movement or with Israeli Socialism. The setting for social violence was present almost everywhere. Communist sparks could easily have ignited the flames but Communism was in one of its "soft" periods, when it was willing to cease militant action, in return for a period of peace and aid for Russian reconstruction. Secretly, there is no doubt that the Kremlin enjoyed the prospect of revolt. It gave Russia great bargaining power in dealing with the West. But she needed a respite more than she needed expansion. She was willing, therefore, to follow the Teheran line. The fact that she was unable to stem the social tide, even where she tried, indicates how intense was the aspiration of people for freedom and a new world.

This sweeping revolt imposed one dilemma on the West, another on Russia. For the West, loss of colonies meant loss



of markets; and loss of countries behind the Iron Curtain meant not only loss of markets for goods, but loss of markets for capital investment as well as loss of fortunes already invested in these countries. The Western powers wanted desperately to maintain the status-quo.

For Russia the dilemma was that she might lose the allegiance of tens of millions of followers if the resurgent social movement found other leadership. For years her major weapon of defense had been her leadership of unions, peasant movements, and nationalist forces. That was the stick with which she could beat enemies, real and potential, who were superior in the military sense. But what would happen if the masses of Asia and Africa were to take the road to revolution *without* Soviet leadership, in fact against Soviet wishes? What was to happen if, despite Communist pleas for moderation, factory workers were to strike against the governments of Europe? The Renault factory strike in France, where a small Trotskyist group of a dozen or two threatened to take the leadership of the 30,000 men away from the Communists, punctuated this dilemma for Russia. She was incapable of adhering to the promises of Teheran. She had either to utilize the social tornado for her own purposes, or watch from the sidelines while other leadership took over.

Moscow therefore abandoned its Teheran policy, shifted from a "soft" to a "hard" period, insulated its Iron Curtain with more iron, and initiated the cold war.

Once again America, having failed to allow for the social factor in history, made another turn in foreign policy. The military ally of yesterday, Russia, became the military enemy. The military enemies of yesterday, Germany, Japan, Italy, which had been scheduled for military and in large measure economic emasculation, were now rebuilt with American dollars, and rearmed with American guns. Japan, which had been forced in its constitution to renounce forever the right to re-arm, was now impetuously urged to rebuild its armies as quickly as possible.

America herself, after initial disarmament, rearmed furiously. It made no sense. Americans wondered why the war against Germany and Japan had been fought at all; why hadn't America attacked Russia instead of attacking Hitler.



Worst of all the statesmen of the United States, Acheson, Dulles, Byrnes, Truman, Eisenhower, and Stettinius, were incapable of telling the people that they had underestimated and misunderstood the social factor in modern affairs. They explained the shifts in alliances in terms of the perfidy of Stalin, the re-emergence of integrity in the German, Japanese and Italian governments, and in other superficial terms. They dared not point out, perhaps did not understand, that such subjective factors were only secondary. The real story of war and foreign relations was to be told in terms of national interest, geographic, industrial and, above all, particularly today, in terms of social factors.

In looking back on this whole saga of Capitalism, it is obvious that in the midst of its greatest victories, it has been building up counter-forces that undermine its basic strength. Slowly, inexorably, its mainsprings of power have been weakened.

Probably the most important change wrought by the "world-in-revolution" has been that it tends to cancel western military superiority. Social revolution has modified economic and diplomatic values too, of course, but the fundamental change in warfare changes everything else automatically. After all the military factor is the force behind all diplomacy. No matter how much it is hidden, the "big stick" is decisive in all foreign policy. It is not "justice" or "law" which predominates, although each plays some role in the process, but the pressures of economic, and above all, military force. The great British empire began with the victory of the British fleet over the Spanish armada; and the British fleet remained the heart and soul of British diplomatic power for centuries. America rose to predominance as a result of its industrial-military potential, its favorable position behind two oceans for defense, and its "big stick," when needed, to enforce an American position in Mexico, Cuba, Latin America or elsewhere. That "big stick" had to be used only infrequently by the big powers; but everyone knew it was there.

Now the "big stick" is gone. The ancient practice of landing a regiment of marines, fighting a short battle and then retiring with a new colony or a new sphere of influence, is finished. The "world-in-revolution" has changed the whole



character of warfare. A century ago, the British were able to put down an Indian uprising with only 50,000 troops. In the Boxer rebellion it took only 20,000 western troops to rush from the sea to the capital city of Peking, and silence the great Chinese nation. The firearms of the West could terrorize men and women who had never seen anything like it. If there was any resistance it was purely military. One army confronted another, and the victory, of course, went to the superior forces of Britain, France, Holland or the United States.

But today there is another *dimension* to warfare in the underdeveloped areas; the social dimension. The expansion of fire arms in America, Russia and Britain is aimed primarily at dealing with developed areas. An atom bomb can wreak havoc in big cities like New York, Moscow or Paris. But it can do little damage in countries where 80 per cent of the people live in villages. A *blitzkrieg* tank battalion can roar through advanced economic countries like Belgium or France with their large network of roads; but what can it do in jungle areas like Malaya or Indo-China? A country like India has 550,000 villages; China has even more. The vast majority of these are inaccessible by automobile; in monsoon time they are inaccessible even by jeep. Only a donkey or a pair of man's leg can traverse them. In the 19th century when imperialism could pacify India with only 50,000 troops, it did not have to contend with the people. The people might be the victims of war but they played no role in the fighting. Only the feudal lord and his small band of warriors were involved. The intervening power had little to fear of sabotage in its rear, of nocturnal forays by small groups of men. The feudal warrior did not hide in a peasant's home by day and fight by night. The modern army today is vulnerable to sabotage and guerrilla battles in revolutionary areas.

Today a conventional army must have more supplies, more intricate lines of communication. It has heavier weapons, is more dependent on roads, bridges, railroads. Guerrilla movements by relatively unarmed people can throw a modern army into confusion. A guerrilla force cannot always *win* a war by guerrilla tactics, but it can, if it has perseverance, continue the battle almost indefinitely. The Chinese Communists were able to consolidate a large part of the country



under their control despite the frenzied efforts of the Kuomintang government. Periodically they were driven from one area to another but they held on for more than two decades until the internal disintegration of the Chiang Kai-shek regime made total victory possible. A number of writers, some under the influence of the China Lobby, attribute this reverse to American failure to give adequate military aid at the right time. But this is a blind spot which may cost us dearly. Guerilla warfare is absolutely impossible except where the prevailing regime (be it native or Quisling) is inordinately weak, and where the guerrillas have the support of the mass of people. In point of fact, American aid to Kuomintang China from July 1, 1940 to June 30, 1949 amounted to approximately \$3 billion. Strange as it may seem, Russia also gave substantial sums to Chiang. On the other hand, there is adequate proof that the Communists received little or nothing from the Soviets for most of this period. Certainly Chiang's troops had the advantage of good American training and far superior matériel to that of the Mao-ists. But the new, social dimension of warfare made the decisive difference.

Twentieth century war in the underdeveloped areas, is qualitatively different from what it was in the 19th century. The *whole* people, including women and children, is involved in resistance. The people hide guerrillas and give them food, shelter and intelligence about the enemy. It makes victory for the modern army almost impossible; the best that can be expected is an uneasy stalemate.

The Nazis learned this lesson from Tito's Partisans in World War II. Winston Churchill, in his memoirs of this period, noted that in late 1943 "the guerrilla forces (of Yugoslavia and Albania) are containing as many (German) divisions as are the British and American armies put together." Guerrilla warfare was so effective in Yugoslavia that at the end of 1944 the Germans and Italians had to put 40 divisions with 580,000 men into the field against 51 Yugoslav Partisan divisions with a half million of these irregular soldiers. Yet even with such forces and such preponderance of modern equipment the Nazis, who had been invincible against the Maginot Line and modern Belgian, Dutch and French armies,



suffered a defeat. They could not conquer Yugoslavia. Eventually the Partisans drove them out entirely.

Tito's men built an army of fully 300,000 men before they had received a single gun or a single penny from the West or from Russia. Their total hoard of military supplies came from the enemy, from material captured from German or Italian forces. By promising (and instituting) social reform, by appealing to national patriotism, the Titoists were able to rally a whole people. So long as they had these people behind them they could not be defeated. No guerrilla movement can be defeated when it has the people behind it.

There have been some instances of guerrillas surrendering, as in the Philippines, but in each case the insurgents had already lost, or were losing, the allegiance of the people because the official government instituted some progressive social measures. The Greek guerrilla movement folded up when Tito deserted the Cominform. The confusion within the Greek Communists, who had been pro-Tito, made it impossible to continue the fight. Such "exceptions" only prove the point. As long as the people are on their side and the guerrillas have the will to fight, they can hardly be vanquished.

An Italian partisan of World War II has described guerrilla warfare in most lucid terms. Auro Roselli points out that "you never 'advance' against guerrilla formations, because the true guerrilla does not occupy any definite position." Nor can you "*expect*" a guerrilla attack, because the partisan cannot attack if you expect him. He attacks only at the unexpected moment and in an unexpected place. He can do so because he can disappear and reappear without being apprehended. The regular army wears a uniform, moves in formation, with supply packs on his back. The irregular fighter has no uniform (until his forces are large enough so that he can flaunt his strength to the enemy) and he has no supply pack on his back. He accomplishes his mission, usually during the night, and in the morning he is back at work on his farm or in the baker's mill.

"The (enemy) regulars," Roselli says, "come and pass through crowds that were regiments, find ditches that were trenches, occupy villages that were military bases; and these will again be regiments, trenches, and military bases as soon as the



regulars are gone." To wipe out a guerrilla force, the regular, enemy army must destroy a whole people; or else *win* the whole people to its side. Once the guerrillas lose the support of the citizenry they can no longer fight. But as long as they have that support they can "hide into yesterday or tomorrow." The regular troops come looking for them but cannot find them. If any one exposes guerrillas, they are quick to retaliate, again with the support of the mass. Thus instead of policing "strong" points such as roadways and military installations, the regular army must police thousands and tens of thousands of villages, hundreds of thousands of huts and haylofts. It is an impossible task which no army can ever accomplish.

Guerrilla warfare is possible only where the people have an all-pervading grievance, an all-encompassing hate. The first step in this type of war is to inflame that hate, focus attention on that grievance. The guerrilla "contact" man enrolls some of the sturdy young people in each village or city in the cause, and tells them to wait for an assignment. Soon comes a leaflet distribution, or the murder of an arch-traitor, or the plastering of the enemy wall with partisan posters. The enemy answers with repression. The people move closer to the partisans. Tempers begin to boil and finally the peasants are ready to join the movement.

At this point guerrilla warfare enters its first stage. The regular army cannot find the "enemy." The guerrillas are everywhere and yet nowhere. The baker who is being asked by a Nazi soldier where the rebels are, is himself the rebel. He may not have taken a gun on his shoulder, but he hid a guerrilla gunman the night before and gave him bread that very morning. Later, when enough regular soldiers are disarmed he too will take a gun. Even the elderly woman or the 8-year old child playing with his marbles are "enemies"; they secure information about the regular armies and carry messages back and forth across the lines. Soon the regular army is demoralized. At night it is jittery. The soldier shoots at every noise, imagines movement where there is no movement. He is like a blind man surrounded by enemies on all sides, incapable of estimating the enemy's strength or learning when it will attack.



In the first period the guerrilla is a part-time soldier. At night he blows up bridges and disarms regulars. By day he works in his normal occupation. But when the first guerrillas have secured enough matériel and money (all of which they "expropriate" from the regular army), they move into the next phase where there is both a regular guerrilla force of full-time soldiers, as well as the part-time "saboteurs and diversionists." At this stage the guerrillas are much more effective than before. They are still mobile, still able to "hide into yesterday," but when they stop a force of enemy soldiers on a road or gain control of a section of railway, they break the unity of the enemy command. They can isolate its regular army into pockets and destroy them one by one. When the roads and railroads become useless, a modern army becomes an easy prey for guerrillas. The regular army cannot function without heavy and constant supplies, the guerrillas can live on the people and need no communication lines. The regular army needs a *front* to do battle; the guerrillas never offer any front. One of the constant hopes of the French in Indo-China was that the Viet Minh forces would "stand up and fight." But the very nature of guerrilla warfare is that it offers no front where it can be destroyed. It will not "stand up and fight" until its forces are superior. Its strength comes from:

1. Its ability to surprise the regular army constantly.
2. Its ability to impose the impossible task on the enemy, of policing the whole population, village by village, hut by hut.
3. Its ability to disappear and reappear.

For all this, the guerrilla movement needs popular support and with that popular support it is literally invincible.

The Burmese government as we have shown has proved this thesis strikingly. When the Communists started the Civil War in 1948 they had more mass support than the Socialists of the Anti-Fascist People's Freedom League. At that point the government was isolated to Rangoon. But as the Socialists won the allegiance of the people the Communists lost ground and were rolled back. In Indo-China the Communists kept advancing, despite the hundreds of millions of dollars in American aid and the titanic effort of the French; but in Burma, with only a tiny portion of the funds used in Indo-China, only a small portion of the manpower and without



a single penny of foreign aid, the Communists were routed. Both countries border on Communist China. If there is Maoist military aid to one it is certainly available to the other. Yet the French in Indo-China moved from one crisis to another until they finally lost the war. The Burmese, on the other hand, *with the people on their side*, reduced the Communist guerrillas to impotence.

American policy was under the illusion that more aid to the French in Indo-China could turn the tide. But if the Chinese experience proves anything, it proves that aid to the regular army very often helps the guerrillas as much as the regulars. That aid can be seized by the guerrillas for their own purposes.

Warfare against guerrillas is not simple warfare of the traditional type. As Roselli points out, there is little use in doubling the forces or matériel of the regular army. Guerrilla warfare is a combination of both war and revolution. The military and the social factors are inextricably bound together. Eliminate the social factor, as in Burma, and the military factor is reduced entirely. On the other hand, destroy the guerrilla military might, as the French did in Indo-China many times, and it can rise again overnight if it has the social support of the people. Even if it is reduced from regular units to part-time guerrillas, it can always rise again, and can continue to rise and rise over and over again, so long as it has mass support.

Guerrilla warfare is social revolt at the desperation point. Give it a peaceful outlet for true reforms, and guerrilla warfare becomes impossible. But foreign intervention in recent years has attempted to check reform, to entrench the old corrupt classes instead of hastening social change. Under such circumstances there is an immediate base for guerrilla agitation. We are no longer in the 19th century when the people felt helpless, when there were no leaders available. Now there are millions of middle class elements throughout the underdeveloped areas who have read Paine, Jefferson, Rousseau, Marx and Lenin. There is finally the unassailable fact that as warfare becomes more complex, it becomes more and more vulnerable to older forms of warfare such as guerrilla fighting.



It is commonly assumed that guerrilla "little wars" are effective only in mountainous areas or only with small units. But, as the Yugoslav, Chinese, Viet Nam and other experiences show, this is not the case. Lieutenant General Duchas Kveper of Yugoslavia records that Tito's partisans tried to avoid mountain fighting. The guerrillas were as effective in the plains of Slovenia as in mountainous areas. And the number of troops involved was not small. By 1945 there were fully 800,000 troops in 53 partisan divisions, a staggering number for a country of only 17 million people.

Nor does it seem likely that the major powers will perfect military weapons to check guerrilla fighting. The trend is undoubtedly the other way. As industrial efficiency improves, smaller and smaller arms produce greater and greater firepower. These weapons are manufactured to ease the problem of transport, they also increase the potential for guerrilla fighting. Anti-rocket launchers, recoilless guns and infra-red sights for firing at night will aid guerrilla warfare considerably. The armies of the major powers can produce more and more firepower, but that firepower is effective only where there is a concentrated population, and most of the population in underdeveloped areas lives in scattered villages. A hydrogen bomb can destroy one village in India or Burma or Indo-China or China, but the effect is negligible. India has 550,000 villages, China probably more, Burma and Indo-China about 30,000. Destroying the cities is not so important in countries where 80 per cent of the people live in the villages. All that the guerrilla movement needs is the full support of the people. It needs no guns, no money. The foreign enemy supplies that when it attempts to intervene.

Post-war history has confirmed the fact that the social factor has changed the whole character of modern warfare. Social revolution has come up with a new form of warfare, guerrilla warfare. Traditional military techniques cannot be effective against the new approach. The West is impotent in the underdeveloped countries when it tries to use the standard war of fronts to fight a war that has no fronts. It is impotent even in advanced countries if the enemy can mobilize popular support to fight an occupying army. With hydrogen bombs and atom bombs the West can level big cities,



destroy the *traditional* military potential of a great nation. But if a nationalist force gains the allegiance of the people, as in Yugoslavia, France or Holland in World War II, guerrilla warfare can continue indefinitely.

The Dutch in Indonesia after War II had military superiority. At one time they were actually able to arrest all the leaders of the guerrilla nationalists. Yet in the end they had to yield independence because of the certainty that guerrilla warfare could plague and haunt them until the Netherland treasury went bankrupt. The French in Indo-China fought a losing battle for eight years against guerrillas. Ho Chi-minh is a Communist, but he had the support of the people. By insisting on colonialism the French and Bao Dai gave strength to Ho. The Kuomintang loss in China, after two decades of civil war, the outbursts in Malaya, the Philippines, Kenya, and elsewhere, all testify to a potent new type of warfare.

*Time* magazine reported in 1954 that 6,000 British troops and 44,000 British African troops, police and home guards, were deployed against only 14,000 Mau Mau and their supporters in Kenya. Yet despite that, the costs of the guerrilla war doubled in one year and there was no sign of abatement. A Tory-Laborite parliamentary delegation which visited the scene of hostilities correctly noted that the emergency was spreading because the colonial government "has not yet secured the full support, loyalty and understanding of the majorities in all the racial communities." So long as the people are on the side of Mau Mau the hostilities will widen, not narrow. The delegation instinctively and somewhat clumsily understood this because it proposed that:

1. Natives should be invited into the government.
2. They should have access to the fertile lands, now reserved only for the whites; and
3. The color bar should be abolished. These are social concessions. At this stage, after all the fighting and bloodshed they might very well not be enough. They offer proof, however, that guerrilla warfare is not easily met even where the guerrillas are outnumbered three to one, and even where the smaller force is far outstripped in modern firearms, in expert generalship, and in education. Mau Mau, it should be noted,



is not a Communist movement and so far shows no signs of receiving Communist support.

In addition to these instances of positive proof of a basic change in modern warfare, there is, finally, the negative proof in Korea. When the Chinese Communists began sending troops into the battle why did the United States not attack China herself? Why was there no bombing beyond the Yalu, as proposed by MacArthur? I hold no brief for MacArthur, but if our task was to levy a military defeat on the Communists, why did we not go further, into China itself? There was, of course, the calculated risk that it might lead to a world war, but in a real sense this was already a world war since the armies, matériel, and technicians of all the major powers on both sides were already involved on a limited scale. Bombing China or invading beyond the Yalu would only make the limited scale a little less limited, a little more extensive.

The reason we did not go beyond the Yalu must be sought elsewhere. Sane heads in Washington must have realized it was impossible to fight China. The country produces only a negligible few hundred thousand tons of steel; its national income is only \$25 billion. But its territory is tremendous, about 20 per cent larger than the United States, and its population is 500 million. Against any foreign invader, its people would very likely rally behind the government, no matter how much it despised that government, and fight long, bitter guerilla battles. American planes could destroy the main Chinese cities in a matter of days. But how many foot soldiers would be needed to pacify the hundreds of thousands of villages where 80 per cent of the people live? Despite her economic backwardness it may very well be as difficult to *finally* and *fully* defeat China as Russia. Japan was unable to do it in eight years, from 1937 to 1945. And Japan had the advantage of proximity and short lines of communications from both Manchuria and the Japanese mainland. The United States would face an infinitely more difficult problem. The men who made the decision not to attack the Chinese mainland undoubtedly gave some considerations to these factors.

The new, social dimension of warfare is discouraging to foreign intervention by western armies. Some major power



may be foolhardy enough to attempt it, but victory is well nigh impossible unless the people are won to the foreign cause.

The common man, the peasant, the worker, the intellectual, has become the decisive factor in military affairs, outpacing generals. In diplomacy he has become more important than the diplomat in striped pants. That is change number two wrought by a "world-in-revolution."

Traditional diplomacy is a relationship between governments, between men in striped pants, but that is changing. The men in striped pants still talk to one another, still make decisions, still sign agreements, but their activity is circumscribed by the social instability over most of the world. Agreements, pacts, understandings are all ephemeral phenomena. At any moment the regime or the state making those agreements may topple and the agreement may be rescinded.

During World War I the Russian Revolution obliterated at one fell blow all the work done by the Allies over decades, to forge an alliance with Czarist Russia. Soviet diplomats refused to honor the Czarist agreements, refused to fight the war. After World War II, Communist China refused to honor the agreements of Kuomintang China. Hundreds of millions of dollars in investment went up in smoke. Lucrative trade concessions, extra-territorial rights, factories and banking institutions belonging to the West, were all jeopardized by the social change in China. The best laid plans of nations went astray because of social revolt. Churchill and Stalin agreed, for instance, that Russia and Britain should be jointly influential in Yugoslavia. In his memoirs Churchill records how he and the Russian dictator agreed on the simple formula: "Yugoslavia—50-50." But Tito refused to honor this 50-50 arrangement, he refused to reinstate the pro-British monarch, refused to remain a Soviet satellite. In the Korean war, Italy was unable to send a single soldier to the 38th parallel because Italian Communists were able to stir the Italian people against intervention. Indo-China, Korea, Kenya, Guatemala, the Philippines, even India, Burma, Egypt and the Arab states have been made insecure for American and western diplomacy because of unstable social conditions or because of social changes. The trade and investment lifelines were



threatened because traditional diplomacy no longer was effective.

A century ago, even a half century ago, the actions of Chinese Communism would have been met by immediate British intervention. The "big stick" would have soon reduced the Maoist regime, as it formerly reduced Manchu dynasties, to impotence and humility. The threat of intervention by western diplomats would have been enough to cancel out such "arrogance." Fifty or a hundred years ago the weak powers would have responded to the polite blackmail of diplomacy with hardly a murmur.

But now the big stick is being warped, and with it our diplomacy is becoming impotent, and our economic superiority placed in jeopardy. The East is becoming independent, throwing off the yoke of both imperialism and feudalism, and industrializing. The whole dynamic of world affairs is changing. Almost invisibly the mainsprings of power are being altered. That is the first major consequence of a "world in revolution." What made America and the West strong a hundred years ago is no longer capable of defending that power. As a nation we still *believe* that it can. We are still intoxicated with the seeming invincibility of the Pentagon's military weapons.

But the social weapons of an Asia or an Africa or a Latin America in revolution can, and have in many areas, cancelled that invincibility. Our big stick is becoming, or has already become, a little stick.



# THE WAR WITHOUT BULLETS

Given the fundamental change in warfare and diplomacy, given the threat to our economic life, given the mounting conflict of three social systems, how shall we protect our status? What shall we do about the revolutions? What new military and political philosophy must we adopt? In a world where the status-quo is being shattered precipitously, America faces only three alternatives. She can operate on one of these three theses:

1. That the revolution will mark time or that we can make it mark time for two, three, five or ten decades.
2. That the revolution can be checked by superior military force.
3. That we must consciously aid and stimulate that revolution, from non-existence to fruition.

The first alternative, of a revolution in suspended animation, is obviously unrealistic. With the great powers unable to hold the fort of colonialism, with the pressures of Russia and China, it is evident that we will have more, not less, social rebellion in the coming years. In our own American backyard, we have witnessed the expansion of the national revolution in Guatemala, British Guiana, Central America, on occasion Chile and in Mexico. In each case the Communists play an important role, but the quest for land reform and industrialization are not one of their invention. The Communists take advantage of deep-rooted desires; they do not initiate them. The revolutions result from a growth of internal pressures *within* each underdeveloped country; they are only helped along by external Soviet pressure and the decline of the imperialist powers. This condition will hardly abate.

The existence and breadth of these revolutions is incontestable. All kinds of public figures are beginning to realize their significance. Senator Edwin C. Johnson of Colorado notes that: "Asia is in revolution—revolution against colonialism



. . . The spirit which animated the American Revolution and the French Revolution of the eighteenth century, and Bolivar's great cause in South America in the nineteenth century, has taken firm root in Asia in this century. Nationalism, which began with Sun Yat-sen in China, and the establishment of a constitutional monarchy in Japan has swollen to flood tide in Asia since World War II." We can neither check it nor hold it in abeyance too long.

Nor can we expect any long-term *modus vivendi* with Russia to achieve this purpose. If we assume that Russia and the United States agreed to end war tensions, and that both nations agreed to police the underdeveloped areas to maintain the status-quo in every respect, this would be a most unfavorable deal for the Soviets because their strength among the lower classes the world over, is the compensating factor for their military and economic inferiority. In the purely military sense, Russia is inferior to the United States. A nation that produces only 35 million tons of steel is not equal to a nation like the United States which produces 110 million tons. But Russia makes up for this disparity by its undermining of the social relations *within* each of its enemy countries and enemy empires. This is not new in politics. Every nation that is inferior in one respect attempts to forge another weapon to compensate. Breaking the enemy's will to fight is a prime objective of Soviet policy, and the Communist Parties are the battering ram of that objective. How well they have succeeded is visible in France, Italy and many other places. Again, we are not yet engaging in the controversy as to whether the European Army, the Korean War and the Indo-Chinese War are the correct road to destroying the Stalinist menace. We are merely chronicling the fact that Soviet external pressure, through its Communist Parties, has a considerable effect on the military potential of every nation. Russia's hold on the masses in many parts of the world is a prime factor of its strength; to give it up would be equivalent to a labor union giving up the right to strike, or an employer the right to manage his factory. It would seriously change the relationship of forces; it would be an enormous concession on the part of Russia.

But let us assume that, in the interests of its own internal stability, Soviet Russia agreed to this concession, that it was



willing to sacrifice its external power in the hope that a long period of peace would make possible the building of its own internal economy to the point where it might match western levels. Assume that it consummated an agreement to keep the social revolution in the underdeveloped areas in suspended animation. Then what would happen? Could the status-quo be held for five or ten decades? It is highly improbable. The only probable result would be that both we, and the Communists would lose our following and our potential in the underdeveloped areas. If the Communists tried to suppress the national revolution, a new revolutionary force would emerge. It might be Titoism. It might be the Asian Socialist Conference in Rangoon, spearheaded by the Burmese, Indian and Indonesian Socialists. It might be Mao-ism, separated from the Kremlin. It might be an extension of Trotskyism, which has a strong foothold in Ceylon and Bolivia. It might even be a splinter group of the Soviet-controlled Communist Parties.

In India, as this is written, there are four distinct factions of the Communist Party; two "hard" factions and two "soft" ones. The "hards" are divided between those who want a proletarian revolution based on the city working class, as in Russia in 1917, and those who want to place main reliance on the peasantry as in Mao's Chinese Revolution. The "softs" include a faction that wants a popular front of all left parties and groups, including Nehru and his Congress Party, and another that wants a popular front excluding Nehru. Existence of these four factions is well-known in India and their fights and counter-fights often make stirring reading. If the Kremlin joined hands with the United States to check the further progress of the Indian revolution, it is conceivable that one or more of these factions might split away to form a new leftist party, possibly with considerable influence.

In Burma there are three separate Communist Parties at the moment. Excluding the legal one in Rangoon, which is a front, there are the "white flag" and the "red flag" Communists both opposing each other, even while fighting the common enemy. In the Japanese, the Korean, and in almost every Communist Party of Asia, there is a latent conflict between the adherents of Moscow and the adherents of Mao. This is common knowledge, even the names of the leaders are often



known. If Moscow should come out against further social change in Asia, it will face factionalism and splits within its ranks. The Socialist movement of Asia is a powerful force and would undoubtedly grow appreciably if the Communists became moderate.

Asian Socialism is unlike European Socialism. The European Socialist movement is today primarily a welfare movement, for better socialized medicine, redistribution of income, pensions, cradle to grave security and so on. Its anti-Capitalism is subordinate to this welfare program. But Asian Socialism is more radical in its economic approach, and consequently more capable of weaning the masses away from the Communists. It is more vigorous in its espousal of state ownership of industry and state planning, it is more internationalist and it advocates a third force, opposed to both major power blocs.

Asian Socialism, still young, possesses state power in Burma, and excellent status as an opposition party in India, Indonesia, Japan, Lebanon, Syria and elsewhere. It would certainly grow in Iran and Iraq if the Communists became anti-revolutionary, and it might very well split from Ho Chi-minh in Indo-China. This whole Socialist force in Asia is in close contact with and on fairly friendly terms with Tito. A union between the two might establish a new world leftist movement of sizeable proportions. Such a left would stimulate the revolution abroad just as Stalinism does today, and it might be more effective, because it would have less of the totalitarian stigma than Stalinism has.

The achievement of a *modus vivendi* with Russia, thus encounters two obstacles. First, the fact that Russia is at an extreme disadvantage if it agrees to check social revolt and, very likely, would not and could not agree. Secondly, Russia would face a new leftist polarization that would take its place as an agent of revolution.

Even assuming these obstacles can be hurdled, there is still the question of how an American-Russian alliance could keep the revolution in a long-term state of suspended animation. Should it be done by propaganda alone? Such propaganda might have temporary effect if all the left were united in Asia and there were no other leadership for the masses. But the



possibility of a nation-wide popular front with Socialists in India or Burma or Indonesia and many other places is excluded. In a few sections of India, where the Socialists have a fellow-travelling membership, a collaboration with the Communists is possible, but not with the present national leaders like Asoka Mehta, Ramnanohar Lohia, Jayaprakash Narayan; the Burmese, Ba Swe or Kyaw Nyein; the Indonesian, Sjahrir; the Lebanese, Kemal Djumblatt; the Syrian, Michel Aflack; or any of the other important Asian Socialist leaders. These men, the Indians in particular, have had their experiences with the Communists and they were universally bad. The chances of future rapprochement is slim. So long then as Communism and Socialism compete for the allegiance of the masses, propaganda alone will not deter the people of the underdeveloped countries from seeking land reform, higher living standards, irrigation and industrialization.

What else can be used to hold back social revolt? Can anything sidetrack the aspirations of the people in the feudal world? We must always remember that the people in the "backward" world now have the smell of victory in their nostrils. They have seen one colonial country after another win its struggle for independence. They have seen China hold off the United States and its allies in Korea; they have seen the Indonesians hold off the Dutch and Ho Chi-minh hold off the French. Success is a poignant attraction to people longing for their own land and anxious to eliminate disease and poverty. The social revolution of the twentieth century is too far advanced to be sidetracked easily. It would overflow into guerilla movements and revolts of a dozen different types unless it found a safety valve. The Russian Revolution by itself might have been isolated. But the Revolution in Russia, China, India, Indonesia, Burma, and the partial social transformations of so many other countries, is too large to isolate. There is an increasing pressure within each underdeveloped country. No one can appreciate the intense desire of an Asian peasant for his own land, unless he has been there and has seen it. That social pressure has grown by geometric progression in recent years, particularly since the end of World War II. The pressures within the social framework of the underdeveloped areas are closer to the explosion point than ever



before. To keep the explosion from bursting is impossible without a safety valve. Propaganda or mere political manou-vering will not do the trick, with or without Communist support.

During World War II, the Indian Communists supported Britain's war effort and called on the Indian people to defer their demand for independence. The result was not that the people deferred, but that the Communists lost support. The same thing would happen throughout Asia today. A *modus vivendi* with Russia would not result in decline of revolutionary sentiments, but in the decline of Communism and the emergence of another leftist polarizing force.

In the calm between each phase of social revolution, we tend to delude ourselves that "Here at last is the end. Now conditions will stabilize." After the loss of China, the Western world mourned its loss, then took a deep breath of relief. It had presumably learned its lesson; a combination of Point Four and military aid would now hold the line. But following China, there was Naguib's revolt in Egypt, the Mau Mau in Kenya, Guatemala, British Guiana, Djumblatt in Lebanon, the end of Shishakly in Syria, violence in Tunisia and Morocco and the Huks in the Philippines. None of these revolutions have been on the scale of China, but they are not insignificant. The basis of all of them has been the aspiration for land, for raised living standards and for industrialization. Although these revolutions shake stability, cause periodic explosions when the pressures reach a bursting point, not all of them lead to any great improvement. Some are still-born. But the "world-in-revolution" cannot end. If we plug the hole in one place, social violence comes out in another. This is the nature of a world in which feudalism has outlived itself, and its imperialist prop has weakened.

The second alternative for us to take in the underdeveloped areas is direct military intervention against the social revolution. Aside from the moral consideration, and the fact that the American people would be hostile to the idea, there are strategical drawbacks that would be fatal. As we have pointed out in Chapter Eight there is no defense against guerrilla warfare, except to win the minds of the people away from the guerrilla leaders. To do that we must first of all renounce



military intervention which smacks too much of the old imperialism. We must first wage an ideological war for the allegiance of the common man. The character of warfare, particularly in the underdeveloped areas has changed so drastically that traditional military intervention has absolutely no chance of success because the big stick has become a little stick.

The West would be foolish to try to intervene with its own armies. But there is another tactic which has often been tried. It could use native counter-revolutionary forces and subsidize them. According to Richard and Gladys Harkness, the United States aided the Zahedi counter-revolution against Mossadegh in Iran and undoubtedly also the rebels against the Communist-supported Arbenz in Guatemala. It may be that Zahedi and the anti-Arbenz group will prosper for a while, but the experiences of Chiang Kai-shek in China and Bao Dai in Indo-China should have taught us that a long-term victory on the basis of supporting reaction is impossible.

Obviously guns and tanks, planes and bombs, can hold masses in check. A large enough native force manning the barricades of reaction can increase the chances of success. But these are temporary and illusory victories. The pressures and tensions within the feudal world must, in the end, break out.

In China, foreign powers supported one war-lord after another in the interests of preserving reaction. For almost 40 years, this policy was able to keep the revolution in suspended animation. But in the end it availed nothing. What might have been a peaceful, democratic, anti-Communist revolution was thrown directly into Communist hands by foolhardy efforts to check it. In Iran, in my opinion, our anti-Mossadegh policy has probably made Communism the first choice of any new revolution. If we could not support a moderate nationalist like Mossadegh both against British imperialism and against Communism, then where are the people of Iran to turn when they next demand land and basic social change? They can no longer turn to us. Mossadegh can no longer turn to us. They will probably turn in the opposite direction—Moscow. The more we help suppress the national revolution, either by direct intervention or by aiding native reaction, the



more we push the real revolution into Communist channels.

The third alternative for us is to "join" the revolution. Such a course obviously offends much of what we call "the American way of life." It connotes something "radical," and "radical" is so easily equated these days with "Communist." It means spending enormous sums of money, while the din of politicians at home is to "cut taxes." To many Americans, war or isolation seem to be preferable to intervention, radicalism and higher taxes.

The school which advocates military intervention believes that if we destroy Russia, the heart of the "evil" that threatens us, then there will be peace and stability in the world. In a straight, military war we would undoubtedly win. A nation with a 35 million ton steel production cannot defeat a nation with a 110 million ton capacity, unless, of course, it has a superior military weapon or technique to which the more powerful nation has no answer. But this is not too likely. Military history indicates that there is usually a defensive answer to every new offensive "super-weapon." In a simple military contest the United States would probably be victorious. With its present ring of air bases encircling Russia, with its great industrial capacity and its head start in atomic and hydrogen weapons, she has a distinct superiority.

Unfortunately, the Russians are not preparing for a simple military war, with defined front lines. It is even doubtful that they are preparing for an offensive war at all. Certainly the Russians have an enormous number of soldiers under arms, and certainly they have improved weapons, even atomic and hydrogen weapons, but their approach is not entirely military. On the contrary their main weapon, subversion, is already at play on a vast scale. To them war is a combination of the military and subversion. As one American expert points out in U. S. News their strictly military strategy is defensive. But their subversion is offensive. It is their main weapon.

In past epochs the relationship between war and revolution was clear. War was often the instrument of revolution. The American war against Britain in 1776 was the weapon we used for our national revolution. The 19th century Napoleonic wars were the external consequences of the internal French Revolution—an attempt to spread Capitalism over a



continent devoured by feudalism. Revolution also blended with war in the struggles of oppressed nationalities. The Poles' struggle against the Czarist empire, the uprisings of the Egyptians, Serbs, Greeks, and Bulgarians against the Turkish empire were all such revolutionary wars. The war of Germany against France in 1870, the war of the Italian states against Austria after 1848 were decisive factors in the national revolution of those countries. Throughout history, revolution and war have frequently intermingled and become identical. Social opponents fought on the field of battle, one to protect an old order, the other to impose a new one.

What has happened to our world today is revealing. Until the end of World War I Capitalism was predominant in Western Europe and America, while the rest of the planet, backward and underdeveloped, was effectively controlled by the major powers. The Russian Revolution changed this picture but after 1929 that revolution was successfully isolated. World War II, however, rent the social fabric more radically. Out of the conflict came two important changes:

1. With the aid of Yalta and the Mao Tse-tung victory in China, the Soviets broke out of their isolation and emerged as the strongest empire on earth. As far as population goes, the Soviet empire is four times as big, and in area she is three times as big as she was before World War II.

2. The feudal and semi-feudal world broke the chains of imperialist domination and began to emerge as a separate and powerful polarizing force.

Here indeed is something new. One system predominated yesterday, but three confront each other today. Yesterday one social system appeared stable and unchallenged, today three social systems fight each other in an uneasy and ceaseless cold war.

The post-World-War II period has reflected this alteration of forces. War and revolution have been brought much closer together than at any time in the past four decades. The enemies now are two divergent social systems. Today there is no Capitalist Germany fighting a Capitalist western alliance. Today we see a Communist group of states confronting a Capitalist group. Today instead of an isolated Communist state an empire confronts the Capitalist world. And perhaps



the most significant change is that now the underdeveloped area of the world, dominated for more than a century by the West, is emerging as an independent force to be wooed and won by one or another of the great contenders.

After 1947 the Soviets dropped their policy of "class peace," of checking revolt. Since then they have utilized every social conflict within and outside the western nations as a weapon of war. They have encouraged revolutionary efforts, chaneling the revolution, if they could, into their own orbit to weaken the West. Thus all the theaters of war and civil war of recent years—Greece, Arab-Israel, Korea, Indo-China, Kenya, Burma, Hyderabad, Malaya, Philippines, Viet-Nam—have witnessed the blending of the military and social factors. Each war has contained a struggle for independence and social change, and has been mounted on the new triangular world relationship of forces.

Once again war and revolution have blended. The revolution is the war. And that is true even though Stalinism perverts each revolution it controls into a counterfeit one. There will be no other kind of war, only *war by revolution*. There may be vast devastation by atom and hydrogen bombs. There may be millions of soldiers facing each other along conventional, continuous battlefronts. But this will not be the main arena. The main arena will be the revolutionary front, the dis-continuous battle line. The third World War, unlike the second or the first, will be won by the side which can mobilize people most effectively to revolution. The essentially military character of World Wars I and II is no longer possible. The separation in time of war and revolution is no longer historically feasible.

It is no longer possible because, firstly, one of the adversaries uses revolution (counterfeit revolution) as its main weapon, and secondly, because the pressures and tensions of the world as it is today have risen to a revolutionary boil. Before World War II, Russia was an isolated communist country, dependent on the West for material support. In World War II and early post-World War II the Russians were on the side of anti-revolution. There was another enemy at the time, and both Capitalism and Communism came to an understanding that the social status-quo was to be maintained.



But in World War III, the enemy for America will be precisely the counterfeit revolution itself, the country which has *utilized* every single mass struggle, every single revolution, in its own behalf.

The enemy will be a country which cannot win a world *military* war because of its economic inferiority, but which has a fair chance of winning a military-social war, a WAR BY REVOLUTION.

In the long history of warfare, victory has gone to those nations and armies that have found new techniques to overcome the momentary superiority of other powers. In World War II, for instance, the Germans introduced the airplane and the blitzkrieg. This was the answer to the French superiority in stationary battle forts like the Maginot line, and British superiority on the seas. Germany's military innovations compensated for Germany's original inferiority. The Russians have compensated for their industrial disparity with the Anglo-American forces by their techniques of subversion. They have developed, and undoubtedly are developing further, as the experiences of Korea, Indo-China, China and Malaya are digested, the techniques of the *dis-continuous* battlefronts, of war by subversion. And if they can win the people to their side they can not be defeated. In World War II, Russia was on the side of the status-quo; in World War III she will be unmistakably on the side of revolution. She will need that revolution for victory. She will utilize it fully, even more than she is utilizing it today.

There are men in the United States government who have begun to see this new development in true perspective. *U. S. News* of September 18, 1953, printed an interview with an official, "in our government service who has access today to most, if not all, the information that comes in from various parts of the world about Soviet Russia." Among other questions, this expert was asked how he accounted for the fact that the Russians did not overrun Europe in 1946, 1947 and 1948.

"I think," he said. "That our possession of the atomic weapon had a lot to do with it. But there was more to it than that. They had a very disorganized situation at home as a result of the war . . . Also, they had extremely unreliable and



undigested satellites in the west through which they would have to maintain lines of communication, and while they undoubtedly could from the standpoint of strictly military capabilities have pushed to the Atlantic without much effort, they also would probably have started a world war which they themselves were in no position to fight, and would have taken on the responsibility of controlling large areas in Western Europe which would have been hostile."

Soviet strategy then was not just military. They could win the battle for Europe quickly, but they might face a world war when they could not digest the populations of Europe, and they would be confronted by "hostile" people. In a military venture on a global scale, Russia has two disadvantages, according to this expert. First that she is militarily inferior, secondly, if she takes the offensive she confronts hostile people and evokes revolt.

What then is the Soviet strategy? The average man in the street in America is told daily that the Russian armies are streamlined for offensive warfare, ready to attack and poised for world conquest. But the government expert knows better. "Their military doctrine," he says, "is primarily defensive as far as global war is concerned. It seems to me that if their doctrine were offensive, they would be concentrating on a different type of armament than they seem to be producing . . . If they were really thinking in global strategic terms they would be building an entirely different kind of navy."

The Soviet military is geared towards defensive action, not offensive, says a top American expert. How then, he was asked, could he reconcile this defensive psychology with the Communist Party doctrine of converting the whole world to world revolution?

The questioner here put his finger on the nub of the question and the response of the expert was equally vital: "As far as the ideology of world revolution is concerned, it's based primarily on the premise that revolution will come from within the Capitalist countries and *at best the Soviet Army will have to intervene to deliver the final blow.*" (The italics are mine.)

For Russia, it is clear, the military technique is subordinate to the social technique. She is banking on a continuing social



revolution, and while she has a Red Army for delivering the final blow in that revolution, her primary orientation is military *defense* with social *offense*. If war comes, the Russians know they cannot win it on the military battlefield. They can only win if they can weaken and subvert the enemy. For them war and revolution are indissolubly blended. They favor no legitimate democratic revolution, but they intend to stimulate social upheaval nonetheless. The Russians will not make the mistake that Hitler made in Russia, when he failed to spur a democratic revolution in the Ukraine, but instead treated the Ukrainian peoples as enemy slaves. Historians today have concluded that the outcome of the war might have been different if Hitler had tried to win the Ukrainian people to his side. Instead, he treated them like pariahs and drove them back into Stalin's arms. The Russians, as our American expert points out, will not make the same mistake; they are banking on a revolution. They have hydrogen bombs and large armies, but still their major weapon is subversion.

In that sense, World War III has already begun. It has its origins in Sun Yat-sen's 1911 revolution, and was continued in February 1917 in Russia, in Gandhism, in the Socialist movement of Burma and Indonesia, in the guerrilla warfare of World War II and the partisan civil wars of post-World War II. This is not a Russian war, but the Russians are utilizing it for their own ends. There will be no other war, no matter how long and thoroughly the Pentagon prepares for an essentially military conflict. We, of the western world, are fighting the wrong war, at the wrong time, in the wrong place. We are preparing for a war that will never be fought, with weapons that will never be decisive.

In any future war with the Soviets, regardless of our first successes in destroying most of the Russian cities, we would soon be confronted with the grandest guerrilla war in all history. On a global scale we would be tilting at windmills, just as the French did in Indo-China or as Chiang Kai-shek did in China. Millions of Russians in World War II organized guerrilla warfare behind the German lines. Partisan groups, half or more of them Stalinist, functioned throughout Europe. In any new conflict, the scale of such warfare would be much more extensive. Subversion would hamper our delicate com-



munications, would plague our morale and hinder occupation of enemy territory. And if we finally captured Moscow or Leningrad, the conflict would be far from over. We would have to chase the enemy all the way to Peking, and very likely to Yenan. At that point, we could only win if we were to win the minds of the people away from Stalinism so that they would not support its guerrillas. But how can we win the minds of the people, unless we follow a course of social change and stimulate broad social reform? Even to win a purely military war (if such a thing is possible) we must eventually join the social revolution on our planet. Otherwise the war can only end in perennial stalemate, at best, and utter defeat, at worst. It could end in the type of permanent warfare George Orwell pictured in "1984."

The arguments about "radicalism" and "high taxes" are equally invalid deterrents to our joining the revolution abroad. No policy can be centered around a word, particularly a cliché. All things are relative and the word "radical" is no exception. In the relationship between Trotsky and Bukharin, Trotsky was a "radical" and Bukharin a "conservative"; but in relationship to Herbert Hoover both were "radicals." Our own American revolution was a "radical" step far beyond the historical horizons of most of the world at that time. So was our Civil War. In the 1930's in America, many people spoke of the New Deal as "radical"; yet the first Republican administration in twenty years adopted almost all of the New Deal's "radicalism." When America calls for a United States of Europe, that is a "radical step"; for decades it was a central slogan of Socialists and Communists. Perhaps it is not filled with the same content as when it was used by the leftists, but certainly it is a far cry from the simple nationalism that is supposed to be the cornerstone of our Republican ideas. When we build state-owned synthetic rubber factories or when we give tens of billions of dollars to foreign countries, are these not *steps* of "socialism" and "internationalism," two "radical" concepts?

The fact is that the Russian Revolution, the post-World War II revolutions and the decline of imperialism, have pressed us in the very direction of the things we are supposedly fighting. It cannot be otherwise; we cannot escape the effects



of the social revolution of our times. We must bow to it, until such time as we become wise enough to bend it to our benefit. In a similar fashion, the feudal world of the 16th, 17th, 18th and 19th centuries had to bow to the burgher class and its social revolution. Feudalism was based on de-centralized feudal fiefs; but under pressure, feudalism embraced the concept of centralized absolute monarchies. Under pressure, it partially accepted the theory of the market, it permitted the enlargement of trade, banking and manufacture. Only when feudalism erected a barricade, beyond which it would not bow to social change, did it provoke revolution. In countries like Denmark, Sweden, Germany and Japan, where feudalism bowed to the inevitable revolution, there was a relatively smooth transition. This analogy, like all analogies, is not entirely valid, but sufficiently so for our purpose. History is imposing radical tasks on an America grown conservative; but a hundred years ago these tasks were not considered radical, and twenty years from now they will again be considered normal political behavior.

As far as the cost of joining the revolution is concerned, it will be far less costly than our current policy, which is almost exclusively military. We spend \$35 billion or \$40 billion each year for "preparedness," whereas a program of social reform would cost only a fraction of that. The whole underdeveloped world, according to UN experts, can digest smoothly only about \$20 billion a year in capital investments; and much, if not most of that, can be accumulated by the countries themselves. American aid would be limited to vital necessities such as bulldozers, machine tools, electrical equipment, emergency food grants, which the underdeveloped nations themselves cannot muster.

Would it cost America \$5 billion or \$10 billion annually? No matter what the figure, in a world relieved of the tension of imminent war, we could reduce our military budget far more than this figure. In fact the only guarantee that taxes will fall for any extended period lies precisely in joining the revolution. If we do not do so, we are bound to suffer more and more frustration as each act of social revolt shakes our equilibrium; and as our armaments continue to mount we shall be more easily tempted to use them each time in a vain



effort to overcome those frustrations. A military war against Stalinism, which has absolutely no chances of victory, will cost us in money (and of course men) many dozens of times as much as a social war against both feudalism and backwardness on the one hand, and Stalinism (its derivative) on the other.

No matter which way the subject is approached, America faces no alternative but to join the revolution against feudalism and economic insecurity. Whether we join it or not, the revolution will continue. Whether Russia or China or both are destroyed or not, it will still continue. And even if we fight a war against Russia or try to intervene militarily against non-Communist revolutionary countries, we must still join the revolution or find ourselves either in a permanent stalemate, or faced with bitter defeat. What Bismarck and the young Japanese samurai understood, we too must now understand, but with greater clarity and a greater disposition towards democratic practices. There is no other course for continued American progress.

The "big stick" of the West is disappearing. We need a new "big stick," another weapon that is powerful and progressive. That weapon can only be a social one. We must rescue the revolution from the counterfeit revolution of Stalinism. We must give it democratic scope, and real meaning for the living standards of the people. We must have a "war-by-revolution" of our own.

We cannot accept the Communist "war-by-revolution" because it is totalitarian, because it subverts the principles of the revolution its claims to support. It cannot lead the underdeveloped world beyond the negative phase of revolution, the destruction of feudal institutions. In the positive phase it imposes enormous burdens on the people; it does not hesitate to kill millions. It is a revolution that has gone off the track, that has built a new privileged class to harass humanity for decades, possibly for a century or two, unless a real revolution competes with it for the allegiance of the people.

There can be no *modus vivendi* with Russia, either to check the revolution or to aid it. The Soviets will not accommodate themselves to the reactionary role of checking the revolution because they need the allegiance of the people against us.



They cannot accommodate themselves to the progressive role of aiding it, because their system is ossified, totalitarian and anti-egalitarian. It is a counterfeit revolution. It is an obstacle to real social progress. In the course of fighting poverty and outmoded social institutions the world over, we will have to fight this obstacle as well. Joining the revolution does not mean joining Stalinism. On the contrary, it means continuing the fight against it, but with NEW WEAPONS, with our own "war-by-revolution."

Specifically, what does "war by revolution" mean? Does it mean bigger and better Marshall Plans, bigger and better Point Fours? Unfortunately, many liberals in America conceive of the problem in these simple terms. If only the military budget were cut a few billion dollars, and if the budget for Point Four were increased a few billion dollars, America could win the war for the minds of the people. It could improve the living standards of the Asiatic masses and cut the ground from under Communism. Added economic aid and technical advice would automatically improve agrarian techniques, introduce industry and raise health standards. Under the circumstances, men with this point of view, conceive it their duty to support the official State Department and Pentagon positions, with the secondary reservation that they would like to see some of the money for armaments diverted to economic aid.

But this simple praiseworthy conclusion is off the mark. For it is theoretically possible to spend twice our current sums for armaments, and still have a foreign policy of "war by revolution," and, conversely, it is possible to spend many times what we are now spending for Point Four, and what we previously spent for the Marshall Plan, without any real change in our total approach. What is important is not the *proportion* of money spent for armaments and economic aid, but the *purpose* for which these moneys are spent.

If we accept the thesis that only a "war by revolution" can defeat the Communists, then it seems obvious that our military policy, our economic aid policy and our internal affairs at home, must all be subordinated to the main purpose of social change. It must be subordinated, in other words, to:

1. Destroying feudalism and all its remnants in the underdeveloped areas, as well as in some advanced areas.



2. Lending impetus to the positive phase of the revolution everywhere by judicious economic aid and technical help, so that the social transformation can be democratic and peaceful.

To give aid where the essence of feudalism remains, or to give aid to a Capitalist country which is hindered by rigid semi-feudal restrictions is of little value. To give aid to a country which does not smash its feudal structure only strengthens the feudal class and makes enemies for America amongst the peasants and intelligentsia. That is why, strange as it seems to most of us, Point Four is so unpopular in many Asiatic countries, why there have been so many riots against American libraries or mission offices. When the purpose of our aid is not to destroy feudalism, it can only buttress feudalism and preserve the status-quo.

There is a feudal lord I know in Lebanon, who owns eleven villages. A year or two before the Point Four program he mechanized one of these villages of 1800 people. He had earned quite a bit of money during the war and had reserves to buy tractors and harvesters. The result of this mechanization, of course, was that the peasants who had been sharecroppers since time immemorial were thrown off the land. Some were rehired at wages of 28¢ to \$1.12 per day plus the four walls of a hut they had to build themselves. The rest, however, were now in dire need, uprooted. After this mechanization of one village, Point Four began a survey of the area for irrigation projects. The survey formulated plans for irrigating most of the feudal lord's remaining villages. As a result of these efforts, these too will eventually be mechanized and thousand of additional peasants will be uprooted from the land, with no place to go, no industry to absorb them in the cities and no developed free land to absorb them in the villages.

As far as Point Four is concerned all this will register a good statistic. The feudal lord will grow three or four crops a year as against one or two yesterday. His operation will be more efficient and his total produce higher. But what of the peasants thrown off the land? In a Capitalist country, going through its normal development, these men might move to the city and find urban jobs. But in a feudal country, with a feu-



dal legal structure, there can be no large scale industrial development. The uprooted peasants become hostile not only to feudalism, but to the United States and its Point Four Program as well.

Not every American aid project, of course, directly serves a big landlord. The supplying of 35 villages in Iraq with a rodent control program, the education of women on child-birth through American pediatricians, malaria spraying and so forth, are not directly connected with the landlords. But the tragedy is that they are connected with the landlord *system*. Point Four works only through established governments, and so long as those governments are feudal, controlled by the landlords, the aid seeps through to the advantage of the landlord class. A few rodent control programs and the various malaria sprayings do not affect the basic problem. They improve the plight of a few people, but they are really negligible.

The important thing is that the status quo of feudalism is not changed. American aid goes, for the most part, to buttress the established order of things. It is aid given for the purpose of supplementing American *military* preparations. We want military bases around the world, so we try to make those bases secure through what is known as "law and order." Our economic aid is aimed at stabilizing the existing class relations in each country, not to change any. To secure and protect military bases in Spain we grant aid to the Spanish fascist government. To secure and protect military bases in Pakistan, we grant aid to the Pakistan landlord class. And to secure airfields in Morocco we grant aid to French colonialism. Discounting the fact that so far our contributions for economic help in the underdeveloped areas have been relatively small, the fact is that the purpose is decidedly negative. It is essentially only an adjunct to our military policy. It is aimed against social reform rather than for it. It makes no demands anywhere for basic change.

Thus the United States, far from being considered a benefactor, is considered "imperialist," because American money, just like British guns and British money in the past, is used in most places to prop up the feudal system. The peasant who sees Point Four projects making his landlord rich but uproot-



ing him from the land, does not think of the United States as a humanitarian benefactor. He can only think of it as the same kind of imperialism which the British and French used previously to help the feudal system and the feudal lord.

Let us consider, for instance, a country like Iraq which has a large economic potential. Once it supported 30 million people in the days when it was called Mesopotamia. It had the most modern system of irrigation canals of ancient times. Today it is barren for thousands of miles. Small things like \$3,000 pumps can transform the waters of northern Iraq to irrigate vast holdings. But a peasant who earns \$28 a year for his whole family can hardly buy such a pump. Nor will the feudal government give it to him. If the feudal government buys any pumps at all it will be for irrigating land that goes to Sheikhs or the sons of Sheikhs. Thus when a peasant or an intellectual learns that a relative of the minister of agriculture or a Sheikh has been given a large tract of land to irrigate with American pumps, American loans or even American know-how, he naturally transfers his hatred of Sheikhs to the Point Four program.

For aid to be effective it must deal first with the social structure. Poured into a dynamic, fluid social structure it can bring great benefits. Poured into a rigid, economically inhibiting social structure it only consolidates reaction.

The first prerequisite of an effective American foreign policy is that it firmly establish its purpose. Our current purpose can be defined as follows:

To isolate the Soviet Union by the threat of our superior military-industrial might!

If military might is our main consideration, then our aid must go to augment that military might, to give it stability. Not that our ambassadors and representatives mechanically insist on reaction throughout the world. On the contrary they frequently suggest progressive programs. But in any choice, they continue aid even if these suggestions are not adopted, so long as they are granted military concessions, military alliances and military bases. The axis of American policy, in practice, thus becomes one of deserting and frequently subverting the revolution against feudalism in the sole interest of military expediency.



In a war that is conceived to be primarily military, everything is subordinated to the military purpose. Outside our country we support the status quo, internally we militarize our democratic institutions. We yield more and more to the theory of "guilt by association," we accept more and more the concept that leftist thinking is a crime. Since Communism is considered mostly a military enemy, we seek out only its conspirational characteristics to fight, rather than its ideological aspects. Instead of trying to immunize the minds of people against Communism by education, research and study, we attempt to terrify them into anti-Communism by such artificial and anti-democratic techniques as loyalty oaths (as if a true Communist spy would stop at giving a loyalty oath!), by depriving all kinds of people of passports, and by a general hysteria which lowers our standards of scholarship. Our citizens are asked to fight Communism without even being told, except in the most superficial way, what Communism is. This is the military, not the democratic, method of dealing with a social problem.

The liberal hope that an effective social program can be developed by America as a *parallel* action to that of the Pentagon and the Pentagon-inspired foreign policy we now pursue, is hardly practical. So long as the military factor dominates our thinking, the social factor will be subordinate. The social program will not be used in the interests of social change but social status-quo. There can be no parallel or united action either with the military policy or the foreign policy which flows from that military policy. The correct road lies exactly in the opposite direction, in a military program that is subordinated completely to the social one.

Revolutionary pacifists, like A. J. Muste and many Quakers, feel that our policy should be *exclusively* social, without any military program. I do not agree that we can dispense with a military program altogether. At a certain point a desperate enemy might attack us, particularly if our foreign policy were succeeding in turning the tide. But it would be preferable to have no army and no military forces whatsoever, than to have the present military *approach* to foreign policy. Such an approach makes victory impossible, dooms America to the status of a second class power within the



next few decades, if not sooner. Such an approach means only that we will continue pulling the triggers for hopeless little wars like Korea or Indo-China, or that we may soon be engulfed in the big war. Such an approach means that our cities will be destroyed, our young men butchered, and our final "victory" will consist of being confronted with permanent guerrilla warfare and civil war which we cannot under any circumstances win. It is an approach that will lead us to the type of decline which finished Rome which was also presumably in its heyday. If the choice were therefore between no military program at all and a military program which reduces the social factor to second-rate status, then I would choose *no* military program. If we eliminate the military's propaganda machine and its vast budget, possibly we would come around to a new concept of foreign policy. But if we continue that vast budget and continue the present foreign policy, the chances of changing our approach become much less. The liberals who are willing to continue "parallel" action with militarism make, in my opinion, a fatal error. They are not supplementing their program for a social assault on the forces of poverty, feudalism and Stalinism; they are subverting it, achieving just the opposite purpose.

"War-by-Revolution" means precisely that the military must be used only for Revolution, for defending Social Transformation. It must be not a defensive policy for stopping Communism *geographically*, along some continuous battle front, but an offensive policy for spreading our own revolution, with whatever changes are needed due to historical progress, to the rest of the world. It must be a policy aimed at peoples more than at governments, because it is people who press for social change, while governments inevitably tend to protect the status quo. We must use diplomatic pressure on governments, as well as extra-diplomatic aid to people. Our aims should be to:

1. Eliminate the feudal land tenure system.
2. Eliminate the feudal juridical concept of "government by men" rather than "government by law."
3. Eliminate inhibitions to further industrial development everywhere.



4. Press at home and abroad for a more equitable distribution of the fruits of man's labor.

5. Grant consistent aid to help industrialize the under-industrialized countries by democratic means.

This is the way such a program would operate in practice. Let us take the example of Iraq. We would advise the Iraqi government that we would be willing to grant a very substantial amount of dollars in economic aid, providing:

1. That the government agree to full-scale land reform.

2. That it help organize co-operative loan societies, co-operative tilling of land, and other projects.

3. That it organize a parliamentary system based on the concept of "equality before the law."

4. That it undertake, with our help, the organization of city industry and village industry, as well as large-scale irrigation, soil erosion prevention and other projects.

If the Iraqi government accepted this revolutionary program, then our help would be forthcoming. Otherwise it would not.

In laying down such conditions it might be objected that we are "interfering in the internal affairs" of sovereign countries. But the fact is that we are only doing what we normally do through the channels of diplomacy—making deals that help our national interest. If Iraq (or Pakistan, or Egypt, or India, or any of a few dozen other countries) is willing to trade something that is in its interest for something that is in our interest, all well and good. Otherwise we will trade our aid elsewhere. Why not? Is this not what we do now? We give economic and military aid to those countries that are aligned with us, or at least not hostile to us, in the war against Communism. We do not give aid, or we curtail aid, to countries like Guatemala when we feel it falling under the Stalinist thumb. We give aid, not based on the need of the countries involved, but on the value of each country for our particular type of foreign policy. Thus France receives 75 to 100 times as much per capita as India, although India has a far greater need. France accepted our conditions of continued military resistance in Indo-China, rebuilding her army in France, and numerous other conditions. Greece too accepted our conditions. Obviously this was "intervening in



the internal affairs" of a sovereign country. The only difference is that in such cases we were intervening to buttress our military-oriented foreign policy; in the hypothetical example of Iraq, we would be intervening to effectuate social reform.

All diplomacy, it has been said, is nothing but polite blackmail. Each nation uses its power, economic and military, to "blackmail" another nation into doing something that serves its own national interest. The greater its economic and military power, the more it can force another nation to do its bidding. There is nothing particularly new, or particularly strange in this. What is new and strange is the proposal to use diplomacy as a weapon of social change. The French did that during our own revolution in 1776 when they put pressure on Britain to end the war against us. We did it subsequently when we put pressure on Spain to get out of the Americas. Both France and Britain intervened in the internal affairs of our country during the Civil War, each aligned with one of the two contenders, and we were grateful for that "intervention" where it helped us. Conversely we have always been hostile to intervention which hindered us. Similarly when we intervene today to prop the status quo, we win the plaudits of the government and privileged classes that we support, and the naked hostility of those underprivileged classes whom we hinder.

We intervene constantly in the internal affairs of foreign nations. During the German election campaign of 1953, Secretary of State Dulles openly endorsed Adenauer, and in Italy, Ambassador Luce made it clear that America prefers De Gasperi and his Christian Democrats. We use our loans and gifts as a means of making or breaking governments. We refused a loan to Mossadeh when he was prime minister of Iran, because he refused to come to terms with the British over their oil holdings; we make a similar loan to General Zahedi, after he overthrew Mossadeh because he was willing to follow our policy. Under the Marshall Plan each government set aside an equal sum, in its own currency, to that of American aid, the so-called "counterpart." That counterpart could not be spent without American approval. Obviously the purpose for which America permitted those funds to be used constituted an important interference into the



internal life of each nation. Whether the money was to be spent on housing, building new plants or just balancing the budget could make or break governments. A Chicago banker, John Nuveen, has stated that when he was ECA ambassador to Greece, the Greek government could make no economic decision of even a minor nature without securing his approval. Nuveen's experience, incidentally, has convinced him that intervention into the internal affairs of other nations is essential, but that we must change from intervention that is socially regressive to intervention that is socially progressive.

Nor is all American intervention at the government level. The Central Intelligence Agency, which makes no accounting to any government body or to the American people, is spending enormous sums to build up pro-American political and economic groups. So is the Army, and so are other bodies. Naturally these activities are secret and seldom come to light, but of course they exist. You pick up a beautiful slick magazine in Paris, published by the French section of a world organization, and it is immediately obvious that it is receiving American money, just as the Communist *L'Humanite* is receiving Russian money. A French group could hardly raise those funds. Europe is filled with the persistent rumors of these transactions: a Catholic youth organization that was given \$2 million, a cultural organization that is obviously receiving American subsidy, trade unions that are receiving finances indirectly. The German public in 1952 was astounded to learn that a group of young terrorists, who had been training with firearms against a possible future Russian invasion, had received considerable sums of money from American "sources." The disconcerting feature of all this was that the terrorists were planning to kill hundreds of Socialists and others whom the American State Department considered friends and whom it intended to evacuate at the first sign of trouble. The American Army granted secret funds to this group without even informing the American state department. The military and the state department buy millions of books and brochures for free distribution, as a form of subsidy to friendly publications and groups. We beam millions of critical words over the radio to Iron Curtain countries. We give food packages to people in East Germany. What this



intervention costs no one but top administration officials know. But it runs into many tens of millions, of that there can be no doubt. It is certainly intervention in the internal affairs of foreign countries.

On what theory can we say that it is wrong to intervene against the interests of the government of Iraq? Is Iraq a democracy? (Or Pakistan or Turkey or Egypt or Syria or Thailand?) Definitely not. Its elections are all undemocratic, controlled by the feudal lords. Shall we, too, be bound by these undemocratic practices and insist that our only intervention in Iraq be to help these undemocratic forces? Such a position is unrealistic, morally wrong, and strategically ridiculous.

Most Americans are against "intervention" because they are under the illusion that we are not intervening now, and because they feel that each people ought to be permitted to decide who shall govern them. Once the people decide, so runs the argument, we Americans ought not try to upset that decision. The unfortunate flaw in this thesis is that the vast, overwhelming majority of mankind does not come within a thousand miles of a real election or of real democracy; that the governments of the vast majority of nations are chosen exclusively by the upper classes. This is true even where the *forms* of democracy are observed, where there is a wide suffrage. The fact is that a feudal lord can get his peasants to vote his way by threats, by stealing the ballots and by a hundred other techniques. Democratic elections in the underdeveloped areas are exceptionally rare. We have had a great demonstration of democracy in India in recent years, but very few others.

When you say, therefore, that we must not intervene in the internal affairs of other nations, that is equivalent to saying that we must put our stamp of approval on dictatorship and authoritarianism. Not "intervening" usually means that we are supporting corrupt governments against their people. It means in a most real sense that we are intervening against the social revolution and the aspirations of these people. Perhaps if we had a choice as to whether to "intervene" or not to "intervene" we might adhere to the principle formulated during the 19th century national revolution, when we op-



posed the intervention of reactionary governments like those of Spain and Austria against the revolution. But intervention like non-intervention must always be judged on the basis of what purpose does it serve. Intervention to maintain the status quo, which is what we now do silently, is wrong. Intervention to help the people overthrow feudalism and to industrialize, is a social benefit.

The argument is further raised: "Who is to decide that our intervention is good or bad?" But there is no mystery in all this. Our American people can decide, the foreign people whom we aid can decide. If our government lays down revolutionary conditions for its aid, each and every one of us will know it. So will the people of the other countries, eventually. It can be argued, of course, that perhaps our idea of a social change is not correct, that destroying feudalism and substituting industrialism is not the answer, that perhaps other peoples do not want to end feudalism. The answer is that if they do not want it, they need not accept either our aid or our conditions. But we must insist that the PEOPLE, rather than authoritarian governments, make the final decision on that point.

That brings us to the second facet of our "War-by-Revolution." How do we get to the people? Let us take our previous example, Iraq. If the government refuses our aid and our conditions, how do we get to the people? I think the answer is simple. Again we do something which we are already doing. We help popular movements which serve our national interest. The only difference is in the definition of "national interest." At present that term is interpreted to mean anything which sustains the status quo in our part of the divided world.

What must be done now is merely to change the beneficiary of America's expenditures. Instead of helping those groups and individuals who are anti-revolutionary; we must give aid to those groups that are revolutionary. Instead of supporting groups that buttress feudalism, we ought to support pacifists, Socialists and nationalists who are willing to join in the "War-by-Revolution." The technique of doing this is an art which will take time to develop. Too frequently the funds granted by America to various groups result merely in making jobs for a few people who live well but do nothing. The art of dis-



pensing funds to set up movements that are willing to join the "War-by-Revolution" is no simple one to master. Nonetheless the effort must be made; eventually we will develop the art.

Returning again to our example of Iraq. If the Iraqi government refused our aid and our conditions, that would end our diplomatic efforts. If we could find some Socialists in Iraq, or nationalists who were willing to agitate against feudalism and for social reform, then we might help them in their work. They in turn could use our offer of aid as a lever for their propaganda, to embarrass the ruling regime. Again, we would make no more demands and no less demands on the forces we help than we do now. We would have to learn in life itself the art of dealing with this problem without offending our allies amongst the people.

In a sense we would be doing what the Kremlin now does. We would have our own democratic forces in each country and we would subsidize them. I should hope that we would not be rigid like the Stalinists, that we would not demand subservience to Washington as they demand subservience to Moscow. I would like to see us adopt the clever techniques of the British, who sometimes aid anti-British groups because they are willing to fight even more anti-British groups. I have always felt, for instance, that we missed our opportunity with Tito when we insisted that he muffle his radicalism in return for our aid. It would have been far wiser had we encouraged Tito to be *more* anti-Capitalist, to challenge the Stalinist parties all over the world, and chip some of them away. But regardless of the specific art that we develop in this task, how can we possibly avoid it? If the lines of battle now cross national boundaries, if the mainspring of power is becoming social rather than national, how can we stay aloof from this new kind of "diplomacy" which follows the people to the grass roots?

Since the end of World War II, American diplomacy has grudgingly catered to the social problem. We spent tens of billions of dollars on relief and rehabilitation, on the Marshall Plan and on Point Four. We financed Greece against its own guerrillas and France against the guerrillas in Indo-China. This is certainly a peculiar type of diplomacy for a Capitalist nation. We are spending so many billions to keep our com-



petitor nations, Britain, France, Germany and Japan, stable. In the new world conflict with Russia we have found (though we do not yet understand it) that the social factor is decisive. The enemy faces us not just within the borders of the Soviet Union and its satellites, but within each country, even our own. The enemy uses the social aspirations of men and women under feudalism, or under a weak Capitalism like France or Italy, as a weapon in this conflict. And we have had to answer it by catering to the social problem as we never have done before. We have appointed labor attaches in many countries to work on the labor movement; we have Point Four experts working with farmers. Our Central Intelligence Agency is subsidizing dozens of organizations. In one form or another, we are trying to penetrate to the people. Our penetration suffers from the fact that it has no policy; we are trying to win people essentially for the status quo, rather than for social change. But we are forced by the new conditions of a "World-in-Revolution" and an enemy that takes advantage of it, to preoccupy ourselves with the common man in the street as well as with diplomats in striped pants.

The confluence of a "World-in-Revolution" and the mere existence of the Soviet Union changes both the depth and breadth of diplomacy. At one time the United States was a beacon for the underdeveloped world. No American who has travelled to Asia, Africa or Latin America has ever "escaped" being asked about the American Revolution. Young students and old nationalists have looked upon the American success story, the American Revolution and its subsequent high degree of industrialization, as a guide for the future of their own country. In Iran one day I asked Mullah Kashani, a rather conservative religious nationalist, to describe his political point of view. He replied: "I am the George Washington of Persia." All over Asia this success story had an enormous impact. The young students of Viet Nam, before they became enmeshed in the Ho Chi-minh movement, were secretly pasting copies of the American Declaration of Independence on the walls of Saigon and Hanoi. When an American diplomat came to Indonesia, during the negotiations for independence, the subject people wanted to hear about most was the story of the American Revolution.



American schools and colleges sprang up in the last hundred years throughout the underdeveloped areas. In each, the principles of the American Revolution were not only taught but fully absorbed, absorbed more fully than in any university in Kansas or Connecticut. The American College in Beirut opened the door to revolutionary thinking just by teaching American history, and the American missionary college in Teheran taught scores of nationalists the principles of freedom and democracy. Innumerable others learned it at the Sorbonne in Paris, at Harvard or at the University of Chicago, to which their enriched fathers sent them, after making fortunes out of their alliance with imperialism. One of the most amazing features of the Asian revolutionary movement is the number of sons of feudal lords or native compradores who are violently anti-feudal and anti-Capitalist. Western culture and true western ideals have been absorbed by the intelligentsia of the orient, Africa and Latin America to a greater extent than by the intelligentsia in the West. The American or French Revolution means more today in Calcutta than in Paris or Washington, where both have been transformed into clichés without essence.

In Asian thought, the United States was once unique amongst western powers, because it seemed like an exponent of revolutionary independence. But America failed to dig deeply into the masses. It had support from students, from a few of the liberal rich, but traditional diplomacy did not feel any compunction to penetrate to the masses. Every big city of Asia has its "American Club," for instance, where students and intellectuals listen regularly to speeches by American professors or diplomats. The State Department remembers a native student who once studied at Harvard; it finds some means of keeping his allegiance pro-western. Through the friendship of these young people it attempts to influence the policies of the diplomats. But this technique has not kept pace with the changing political climate of the underdeveloped world.

America appeals to the diplomats and the potential diplomats; to only a few of the mass leaders. What Russia has done is quite the reverse. The Soviets have an actual organizational weapon in each country. They are not content with American



libraries, British reading rooms, or missionaries. Theirs is a form of diplomatic pressure that goes deep into the grass roots. Their pressure is felt through nothing less than a pro-Soviet political party. This, of course, is the most comprehensive intervention possible, an intervention aimed at the mass of the people, not just the intellectual cream. It is aimed at the peasant in the fields, the worker in the factory, and the intellectual who is willing to identify himself with workers and peasants. Unlike the traditional diplomacy, it is not aimed at the intellectual or student who will tomorrow be a diplomat, government official or merchant. It is aimed deep into the social heart.

The social factor would have risen into greater significance whether there was a Soviet Russia or not. But the existence of a big nation with vast resources, capable of spending hundreds of millions to finance its own movement within each country enlarges greatly the importance of social phenomena in world diplomacy. Diplomacy, like warfare, is changing its lines: from national to social. We no longer can deal with a "nation" as such; we are forced to deal with separate groups, classes and social elements *within* each nation and across the borders of all nations. We have to deal with international forces like the world labor movement, the Socialist movement, the pacifists and the Catholic Church, etc. We find ourselves proposing such international schemes as a United States of Europe. We find ourselves catering to the man on the street.

Unfortunately we have not understood the implications of this change in diplomacy, as we have not understood the implications of the change in warfare. But the signs are clearly visible. We are confronted with a new type of warfare that has no geographical fronts, only a *social* front; we are confronted with a new type of diplomacy where the social factor has been added to the artillery of foreign relations and is increasingly taking away the emphasis from the other weapons.

What would we do in the Communist countries? I don't see any difference, except that we would have to learn to wait. We would offer aid under certain conditions such as democracy and an end to slave labor. We would help democratic, progressive groups that fight Communism from the left, not the right. We would help Titoists, Socialists and other anti-



Stalinist dissidents who could undertake a crusade in the Stalinist areas. Sooner or later our program would be effective. Sooner or later people who are living at bitter economic levels under the Communists, would rally to our side. Sooner or later the schisms in their ranks, like the schisms between Tito and Stalin, would come to the fore. Sooner or later members of the new middle class in Russia, utilizing fissures in the ranks of the top leadership, would lead a revolt of workers and peasants against their tormentors. But it would take time and concerted effort until we could prove to everyone concerned that we stand for a democratic revolution, that we are willing to back our words with deeds.

The social road to Moscow is not direct, as the crow flies or as the air armada deposits atom bombs. The social road to Moscow is through Madrid, Delhi, Tokyo, Rio De Janeiro, Peking, Seoul, Hanoi. Everywhere we would have to take the side of democratic social change against reaction. We might make no revolutions ourselves; but we would aid revolutionary forces both at the diplomatic and extra-diplomatic level. And in that way we would eventually pierce the Curtain itself. We would find allies among Communist leaders, sick of being exploited by Moscow, and among millions of people sick of totalitarianism.

Typical of what "War-by-Revolution" would mean for specific countries is the following:

1. Spain. We would offer aid to Franco, not if he gave us military bases but if he agreed to a democratic election and other reforms. The dictator would undoubtedly refuse. This would not matter. Our money to Spain now only makes enemies, because the anti-Franco Spaniards feel we are only propping up their dictator and because little if any of that money seeps down to the people. When Franco refused our legitimate aid we would give our aid to the other parties, to the Republicans, Socialists, POUMists and Anarchists, who are striving for democratic aims. We would not give aid to the Communists, who are agents only of a counterfeit revolution. By all means possible we would squeeze Franco, refuse to trade with him, refuse him foreign aid, offer no loans, give him no military advisers and no support, moral or material.



By all means possible, short of military intervention, we would aid the democratic revolutionaries of Spain.

2. Korea. We would not withdraw our armies, at least for the time being. But we would insist that further economic aid be predicated on truly democratic elections, on changes in the constitution, on institution of real land reform, on raising the standard of living, on industrialization, on the end of the Rhee dictatorship. Rhee might refuse such a program, but it is inconceivable that he could command any allegiance among his people if he turned down such a program; it is inconceivable that no new democratic nationalist revolutionaries would emerge in Korea and lead the people to a better day. If Rhee refused this, we would confine our economic activity to direct relief, under our own administrators. Again Rhee could not refuse such a program; too many people who need rice and mudhuts would rise against him if he turned it down. Our pressure would be economic, rather than military, and it would be revolutionary rather than pro-government. But it would not use force to overthrow the regime; instead it would build up inexorable and mounting pressures.

Korea is one place where such a policy must inevitably succeed, since it is so wholly dependent on American aid, both economic and military. Rhee could not possibly hold up against it. Supposing, however, that the Communists attacked from the north? I think, first of all, that a truly democratic revolutionary program in the south would cut the ground from under Stalinism in the north. The example of *democratic* land reform—if we could put it into effect; the example of democratic co-operatives, of rising living standards—all this would wean the people in the north away from their Communist government to the point where we could easily build guerrilla movements behind the front lines, where decent idealistic Koreans could easily mobilize the Korean people against the fraudulent revolutionaries sent in by Moscow. But assuming that the northern government was stupid enough to fight anyway, then I think that we would have to join the battle. Again, however, we would subordinate the military to the social, rather than the other way around. Every acre we liberated we would divide amongst the peasants and organize peasant councils and co-ops. While fighting we would insist



on democratic changes behind our lines. And as we won each battle we would immediately introduce social changes.

In 1950, the Communists divided the land as their armies moved southward. But as Allied armies moved north ward some time later "our" Syngman Rhee gave the divided land back to the landlords. This is certainly a factor in the stalemate that followed. Even more it is a factor in the loss of American prestige and friendship throughout Asia. If we had adopted a social approach, a "War-by-Revolution," then even if we had lost the military phase of the war in 1950-53, we would have won tens of millions of friends among the lower classes in Asia, probably even in China. We would also have been able to disrupt the enemy lines in the rear to a point where we might even have won the military phase of the war itself. As it was we were able, with all of our great might, with our \$365 billion national income and 110 million tons of steel, to win only a pathetic stalemate against China, a nation of \$25 billions in income and less than 1 million tons of steel. Even worse than the stalemate is the fact that in the course of the war we were branded as the aggressors, imperialists and as enemies of progress throughout Asia, even though the Communists had clearly attacked South Korea first, even though *they* had taken the imperialist step of Chinese intervention. We suffered a military stalemate and a disastrous social loss. If we had followed the opposite course, "War-by-Revolution," even a military stalemate would have been a great victory because of the innumerable friends it would have gained for us throughout Asia.

3. France or Italy. Here we would have to offer aid, of a considerable amount, in return for genuine efforts towards a United States of Europe. Such efforts would include housing programs, productivity programs, higher living standards, elimination of tariff barriers, and the elimination of cartel and semi-feudal economic restrictions. In return we would partially or wholly subsidize the industries and individuals who suffered temporarily as a result of the economic dislocation attendant upon the unification of Europe. For instance if an Italian steel mill went out of business because it could not compete with a steel mill in the Ruhr, we would have to



aid the workers involved and the economic interests involved, whether state or private.

4. India, Burma, Israel. We would offer aid without conditions so long as the governments promised to deepen their revolution. These three governments would undoubtedly accept. Here we would have little need for extra-diplomatic activity or subsidies.

If we increased aid to Yugoslavia we would insist on greater democratization. If we increased aid to Britain we would insist on an end to colonialism. Countries like Denmark, Switzerland, Australia, Sweden, Norway and New Zealand probably would not need our aid. But their social institutions are democratic and flexible enough so that if they did need it we could grant aid with few conditions. Other countries we would have to judge based on individual criteria, how far the aid would break down intolerable disparities, how far it would reduce social tensions and how far it would improve living standards. In each instance, we would have to ask ourselves the questions: "Does it improve the plight of the common man, in the short run and in the long run? Does it lay the foundations for a better world, a democratic world, free from the ravages of disease and hunger?"

How much would all this cost? Frankly, no one can offer an answer. It depends on which countries accept our conditions, and which do not. But one thing is certain. Both the cost of aid and the cost of subsidy to organizations and groups that participate in our "War-by-Revolution," would be much less than the current cost of our military budget. What is more, each success in the "War-by-Revolution" would make it possible to reduce our military budget considerably.

In a final desperate move Russia might declare war on us rather than face revolution at home or complete decimation of its empire. But Russia, under those circumstances, would hardly be a threat. It would be so rent with discord, so plagued by the hostility of its people that it could hardly conduct any kind of offensive war. The minute war started, we would be able to win over hundreds of thousands of its soldiers and millions of its citizens to a guerrilla battle against the Soviet leaders. Even Hitler was able to cause the surrender intact of hundreds of thousands of Russian troops because



they had no faith in their leadership. According to the same expert we quoted previously on Russia:

“In the second World War you had two phenomena which went in the same direction. In the first place, in the first six months of the war, when the Germans were advancing rapidly, and when the German policy with respect to the peoples of the Soviet Union was not clear, there were mass surrenders of troops and a general disposition on the part of the populations, be they Ukrainian or Belorussian or Russian, to welcome the German forces as liberators. The situation changed only when it became clear as a result of German actions that their intention was not to bring liberation but to bring a new form of slavery, and as between German slavery and Communist slavery they preferred the latter.”

If we adopted a course of “War-by-Revolution” we would easily weaken the confused hold the Russian leaders have on their people. Their strength is now based merely on the fear of war, the fear that America is really an aggressor. But with a social approach we could dispel such fears. We would have no need of the kind of big military budgets we now have.

I have sketched the concept of “War-by-Revolution” in embryo form. Its tactics and details remain to be developed and cannot be blueprinted in advance. These tactics and details will have to be worked out as an art through conscientious study. There are innumerable pitfalls to be avoided. One of the worst is arrogance. There may be a tendency to be egotistical and arrogant in our relations with other nations. Since we will be paying the bills our bureaucrats may become egocentric and dictatorial. There may be a disposition to treat other nations and other people as if we know everything. But we are already suffering from a considerable amount of arrogance in our dealings with other nations. Very often they learn about decisions which directly affect them by reading the newspapers. This arrogance will not be quickly obliterated.

But a more idealistic approach to foreign relations will draw more idealistic recruits to our state department. Not that all our state department employees now are arrogant; on the contrary the majority of them are fine people with considerable feeling for the under-privileged. But they are frustrated by decisions from above and by fear of taking an



independent position. A change in policy will give such people new opportunities for development. Others will have to be dispensed with. By and large we will have to improvise as we go along and we must depend on the education of our people for the great pressure that will push our bureaucrats in the right direction. By teaching the American man in the street that his pay envelope, his very life, depends on "War-by-Revolution," we will make it that much more difficult for the makers of policy and the executors of policy to miscarry that "War-by-Revolution."

Two pertinent questions arise at this point:

1. Why can the United Nations not be entrusted with the program of "War-by-Revolution?"
2. Can Capitalism do the job?

It would, of course, be ideal if there were a world organization charged with the task of aiding world development. Many strict nationalists in America would oppose such an idea, on the grounds that America would be sharing its largesse and its sovereignty with less fortunate powers. That argument, however, is demonstrably false. It would be cheaper to share our largesse than to go to war or even to continue with our ever-increasing war budgets. And in the long run the improved living standards throughout the world that would result from a "War-by-Revolution" would considerably increase our markets as well. As to sovereignty, we stand a chance of losing not just part of it but all of it if we engage in military war.

A community of nations is inevitable. Just as the improvement in transportation a few hundred years ago made nationalism inevitable, so the airplane today makes certain some form of world community. Men, with atavistic approaches, will continue to look to the past, but one way or another, either through military action or through the free will of nations, there will be a world community. The signs of the times are easy to read: Russia and its satellite empire, the increasing pressure for a United States of Europe and the demand for world federalism and world government. Federation and unification are in the air but they can be checked for a while. The cold war has welded whole groups of nations into opposing blocs. The Communist bloc for all practical pur-



poses is a unified single state, acting with one will and one direction. If it should win a future war against America and its allies, it will form a world government inevitably. The Western bloc is not as unified, but it clearly recognizes the necessity of joint action on a broad scale. Sooner or later it will either have to "hang together or hang separately." And if it eventually adopts the thesis of "War-by-Revolution" it will certainly unify the world over a period of time. It will have to break down tariff and trade barriers, it will have to do something about the money problem, it will have to organize world production so that it is economic and each country is producing what it is most qualified to produce.

But all this lies in the future. In the meantime there is the obvious fact that aid through some international agency would create less friction than if it came from the United States alone. It would have less to contend with as far as internal American pressures are concerned and would be less suspect for the foreign country. Unfortunately, however, the United Nations is an arena for the current conflict between nations, rather than a unifying force. In it there are two major blocs and a number of secondary ones, the Arab-Asian, sometimes the Latin American bloc. The U.N. is handicapped by the fact that some nations are outside its ranks, Spain, Italy, Japan, Germany, Red China and others. But above all it is handicapped by the fact that each bloc can immobilize the action of the other. Any effective program introduced by America or the western allies will run the gauntlet of Soviet opposition, delaying tactics and veto. It would make a farce out of our "War-by-Revolution."

We must not be misled about Soviet intentions to the point where we have illusions about working out an overall "deal." Our "War-by-Revolution" would be directed, in the first place, against feudalism, poverty, and economic inhibitions. But it would also be directed against the Soviets and their fraudulent "War-by-Revolution." We cannot negotiate peace with Russia because power is the *raison d'être* of the Soviet regime. Russia has shown repeatedly that it will destroy a revolution, or a strike or any socially progressive act, if it can not control it. It illustrated that during the Spanish Revolution 1936-39, when it killed opposition leftists as enthusiastically,



or perhaps more so, than it killed fascists. Control is more important than anything else for the Communists. They will work with us to change the world only if they are certain they will emerge in control.

Nor is it possible that the post-Stalin regime in Russia can change from traditional Stalinism. The minute it agrees to democracy in its relations with other nations or with other revolutions, it must yield to democracy in its own satellites and its own country. Such a concession would be fatal for that ruling regime; it could not survive democratic elections or the democratic process. That is precisely why it clings to totalitarianism. We can change the situation in Russia only by building up our own strength. To most of us at the moment "strength" means military strength. But if our thesis here is correct, we must build up our *social* strength. We must gain the hearts and the minds of people in the cause of a democratic revolutionary crusade turned against both feudalism and the counterfeit revolution that is Stalinism. Part of that revolution must take place in Russia and its satellites. We cannot come to terms with the Soviets if they maintain their status quo, and it is hardly possible that so massive a bloc of nations will change until it begins to feel the pressure of our continuing victories in the "War-by-Revolution."

Thus, in the initial stages at least, a "War-by-Revolution" must take place in opposition to the Russians. Therefore, the U.N., which houses both blocs in an uncertain "unity," cannot be the instrument for carrying out the program of "War-by-Revolution." Of necessity, it must appear to be neutral in the wars between its big blocs, and it can be too easily immobilized from taking any real action.

What will happen to Capitalism? What of the powers that practiced imperialism and brought us in large measure to this impasse? What of the privileged classes who have distorted our social institutions, and given them some of their current lopsidedness? Can Capitalism lead the "War-by-Revolution?" Or must Capitalism, too, change? For instance, (to mention just one obvious needed change), can we talk of a world community of free nations which will be composed mostly of colored people, if we practice discrimination against our own Negroes?



There is no ready answer to these questions. The ruling powers in our Capitalist world are clearly oriented towards maintaining the status-quo both at home and abroad. Yet there is always the hope that some force within the Capitalist system will emerge with the wisdom of Bismarck or the young Japanese Samurai who replaced the Shogun in 1868, or the Danish leaders of the 18th and 19th centuries. There is the hope that somewhere, in the complex and changing Capitalist system, there will be a realization of the historical responsibilities of completing the national revolution. I cannot subscribe to the mechanical conclusion that such an outcome is impossible. Perhaps with only one isolated Communist state in existence, the tendency to re-evaluate the role of Capitalism in our changing world would be small. But with a new land empire of 800 million persons and enormous industrial potential facing us, there may be some inclination in the higher echelons of the Capitalist system, to substitute a broad, historical point of view, for the narrow, pragmatic, instinctive reactions. There is nothing inherent in Capitalism that will make it take that point of view; but, on the other hand, there is nothing that thoroughly precludes it.

It should be remembered that Bismarck and his friends changed the course of German society after Capitalism had already made considerable progress, after the Dutch, British, French and American revolutions. The world then was also wracked with uneasiness and tension; it had gone through the experience of the Europe-wide revolution of 1848. Bismarck reacted to these signs of a new era. Other, less wise, statesmen showed less perspicacity. Parenthetically I might note that what we need is not an exact analogy with Bismarck, because the world could use more democracy than Bismarck was willing to grant, but what we do need is the willingness of a statesman to lead one social system along the revolutionary path to another. The Japanese Samurai also read the signs of history. The most favorable transformation, both in the feudal countries and in our own, would be the simple, peaceful, quiet transformation accomplished through education and insight by the Danes. Theoretically, though I admit the prospect is not auspicious, modern Capitalism can also gain an insight into the process of its own development and make the



necessary social changes needed in a world that is radically changing.

Furthermore, Capitalism is already considerably diluted with non-Capitalist forms. Is Denmark a Capitalist country? Are Sweden, Australia, New Zealand or Britain entirely Capitalist countries? There is certainly a blending of Capitalism with Socialism.

The salient feature of modern Capitalism is that its social institutions have been fluid enough to change with the external and internal pressures, so that the system as a whole has been preserved. Its resilience has been a great surprise to revolutionaries who predicted that it would be destroyed as a result of its wars and depressions. Socialists of two or three generations ago were certain that the end of Capitalism was in sight. The October Revolution, in particular, stirred hopes that the system was finished. And the leftists in World War II were equally certain that both Capitalism and Stalinism would find their Waterloo in the backwash of war. Yet both systems survived. Their institutions were not as fixed or as rigid as the left thought. As usual, the radical movement has been wrong in its timetables, just as Marx himself had been wrong when he predicted an early death to Capitalism in the middle of the 19th century.

But what is so remarkable in the current Capitalist system, is the extent to which it has adopted Socialist forms in order to keep afloat. The conservatives in America who speak of "creeping Socialism" are, to a great extent, correct. With each crisis, Capitalism has become more Socialist and more internationalist. That is of course more pronounced in Europe, but is clear enough in America too. The depression forced one series of changes, mostly internal ones, to take place; and the second World War forced through another series of changes, mostly external ones. The end result has been that Capitalism has been doing many things which are not typical of Capitalism at all. It seems incredible for instance that the United States should be so vigorous in its championing of a United States of Europe, of internationalist unification. Or that it should be spending so many billions a year in economic and military aid. These are not characteristics of militant nationalism, nor of competitive trade. They are steps towards world



planning, halting, confused, and contradictory steps, perhaps, but steps in that direction nonetheless.

Capitalism has been undergoing a development very similar to that of feudalism in the final days under the absolute monarchs. It has been conceding much to Socialism just as the absolute monarchs conceded much to the burgher class. Side by side with old Capitalist forms and old Capitalist institutions, are new forms and incipient new institutions. These can be grouped, by and large, under the following headings.

1. State ownership of competitive industries.
2. Aid to foreign competitive countries.
3. Social security measures.
4. State controls of production, consumption and distribution.

Economic crisis has forced the Capitalist state to do for industry what industry is unable to do for itself. In Britain, for instance, the coal industry after the war was bankrupt and could not possibly rationalize adequately without government effort. The state nationalized it and has been operating it ever since. It nationalized rail and road transport, air transport, overseas telegraph, the Bank of England, gas and electricity and steel. All told, 25 per cent of English business was operated by public companies and 40 per cent of invested capital was under government control. The Tories denationalized road transport and steel, but the other nationalizations remained intact. At one time the government was employing or bargaining for two and a quarter million workers of a labor force of fourteen million.

In France, the state has a monopoly in tobacco, matches, wireless, post and telegraph. And it has nationalized many credit institutions, railroads, coal, electric, gas, some auto and aviation firms and many others. The biggest plant in the country, Renault, is state-owned. Even in the United States the list of government-owned projects is imposing, far greater than the average citizen realizes. According to one former official, the government owned at one time \$27 billion worth of industrial and power enterprises. Among them were TVA, Columbia River Development and the Hoover Dam, all told, about 12 per cent of the country's electrical power. It built and owned 26 synthetic rubber plants, the big inch and little



inch pipelines, 56 aluminum plants, hemp plantations, tin smelters, steel plants and many others. The Defense Department owned 335 factories, which cost \$8.6 billion to put up, plus 72 plants called the National Industrial Reserve. In housing, the federal government has put up about \$1.3 billion worth of apartments and community projects. All this has happened in countries which believe in *private* enterprise. Obviously the institution of private enterprise has been seriously modified.

The same is true of other traditions of Capitalism. Nationalism has been diluted by aid to foreign countries. The United States alone during the Marshall Plan years gave away some \$5 to \$8 billion a year to Britain, France, Germany and other countries. These gifts have buttressed these economies which eventually must compete for world markets with the United States. In the narrow sense they were certainly against the national interest. Yet, in broader perspective, America was caught between two fires. If she stuck to strict nationalist interests, her allies would sink into bankruptcy, and Communism might widen its sphere of influence. On the other hand, if she aided her competitors to rebuild their industry, she was not only increasing taxes and inflation at home, but assuring the loss of some markets abroad. In the choice between "internationalism" and the extension of Communism, the United States has had to choose some internationalism. So have other countries. They have done it haltingly and without enthusiasm, often with sabotage in their hearts, but the direction is quite clear. Belgium, Holland and Luxemburg attempted to form a customs union called Benelux. Six countries of Europe formed a steel-coal combine to control the production, investment and marketing of these as a unit. This was to be a precursor not only to an international army of Europe, but to the political unification of the western portion of the continent.

None of this was strictly in the province of nationalism or competitive Capitalism. Neither are the many controls that have existed in all Capitalist countries during the last few decades. The state not only controls public utility prices, communications, the stock market, banking, exports and imports, but often imposes more far-reaching controls. Everyone is



acquainted with wartime allocation of materials, rationing of consumer goods, price controls and manpower controls. The state decided who was to get what materials, the price he could charge for them, the manpower he could get to work in his factory, and, indirectly, through excess profit taxes, controlled the rate of profit. In Britain after the war, state intervention went much further. Under the slogan "fair shares for all," the government deliberately redistributed the national income so that the lower classes improved their position both relatively and absolutely, while the upper classes were deprived, through steep taxes, of all but a small portion of their income. In Germany, state intervention included rudimentary steps towards co-determination of industry. The state apportioned to labor certain managerial rights, particularly in steel and coal, which labor never had before. As a matter of fact, in the early post-war days, labor unions in France, Germany and Italy were voting on all hirings, all firings and most managerial policies. For a while, they actually ran some of the factories. This, too, is definitely not "free, competitive, private enterprise." It is a diluted form of Capitalism, diluted by state controls and labor pressure.

Pressure by the labor movement has forced through innumerable social security measures in recent years. Even in America we have unemployment compensation, state pensions for the aged and workmen's compensation in accident cases. In other countries there is free medical care under a state-sponsored compulsory health insurance program, family allowances (mostly in Catholic countries) for each child, benefits for disability and low cost housing subsidized by the state. The classical concept of Capitalism was that each individual was on his own, his fortunes and misfortunes, were his own, individual concern. The state had no obligation to come to his help when he was hungry or sick or aged or hurt. The threat of insecurity, it was believed, was the impetus that drove men to improvement in our competitive system. But all this is being modified under pressure from those classes that seek to check privilege and to bring about a greater equality both of opportunity and wealth.

Thus grudgingly, and often unwittingly, Capitalism has been forced to alter its institutions away from its fundamental



*elan*. It has been creeping reluctantly towards Socialism, or at least towards another social form which presumably would cut privilege, would be more internationalist, would impose greater state controls and state planning, and would guarantee the individual greater economic security. The direction is inescapable. It has been proceeding in all Capitalist countries. These steps have, in fact, been the safety valve that has probably saved Capitalism. Could America have survived in 1932 if laissez-faire had not been replaced by controlled Capitalism? Could post-war Europe have survived without Marshall Plan and UNRRA aid? Can it survive in the future without unification? Very likely not. Doses of social reform have kept the Capitalist system afloat. With each crisis, the underprivileged masses have pressed for reform, and Capitalism has been strong enough and resilient enough to grant them some. It will undoubtedly have to go much further in the future.

The pressures of three Goliaths confronting each other in our tension-torn world must inevitably alter all three social systems. Neither Communism nor Capitalism nor Feudalism can continue for very long in their present forms. What will eventually emerge need not be labelled as Socialism or by any other name. The fact is that labels are losing their significance. The Socialist Marx never anticipated the type of "Socialism" we have in Russia. The Communist Lenin never anticipated the type of Communism of Stalin. The Socialism of Asia is a Socialism that calls for village industries, co-operatives, state industry and development only in the major projects. The Socialism of Europe is a Socialism, on the other hand, of the welfare state, greater social security, medical plans and so on. The labels are really not important. What is necessary is that the hyper-tension of our social systems be equipped with the safety valve of social change. What is necessary is a studied attempt at egalitarian and socially-just measures inside and outside of each country.

It seems to be that Capitalism must either blend into greater social transformation, into the full-scale strategy of "War-by-Revolution," or Capitalism will die. How far the social reform must go, how long the "War-by-Revolution" will take, no one can tell, but societies which become lopsided and overprivileged are societies which die. And a world which is lop-